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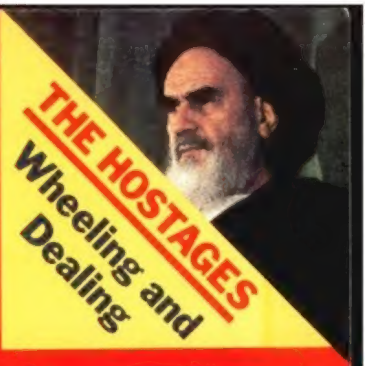

THE HOSTAGES
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Reagan's Biggest Challenge

Mending the Economy

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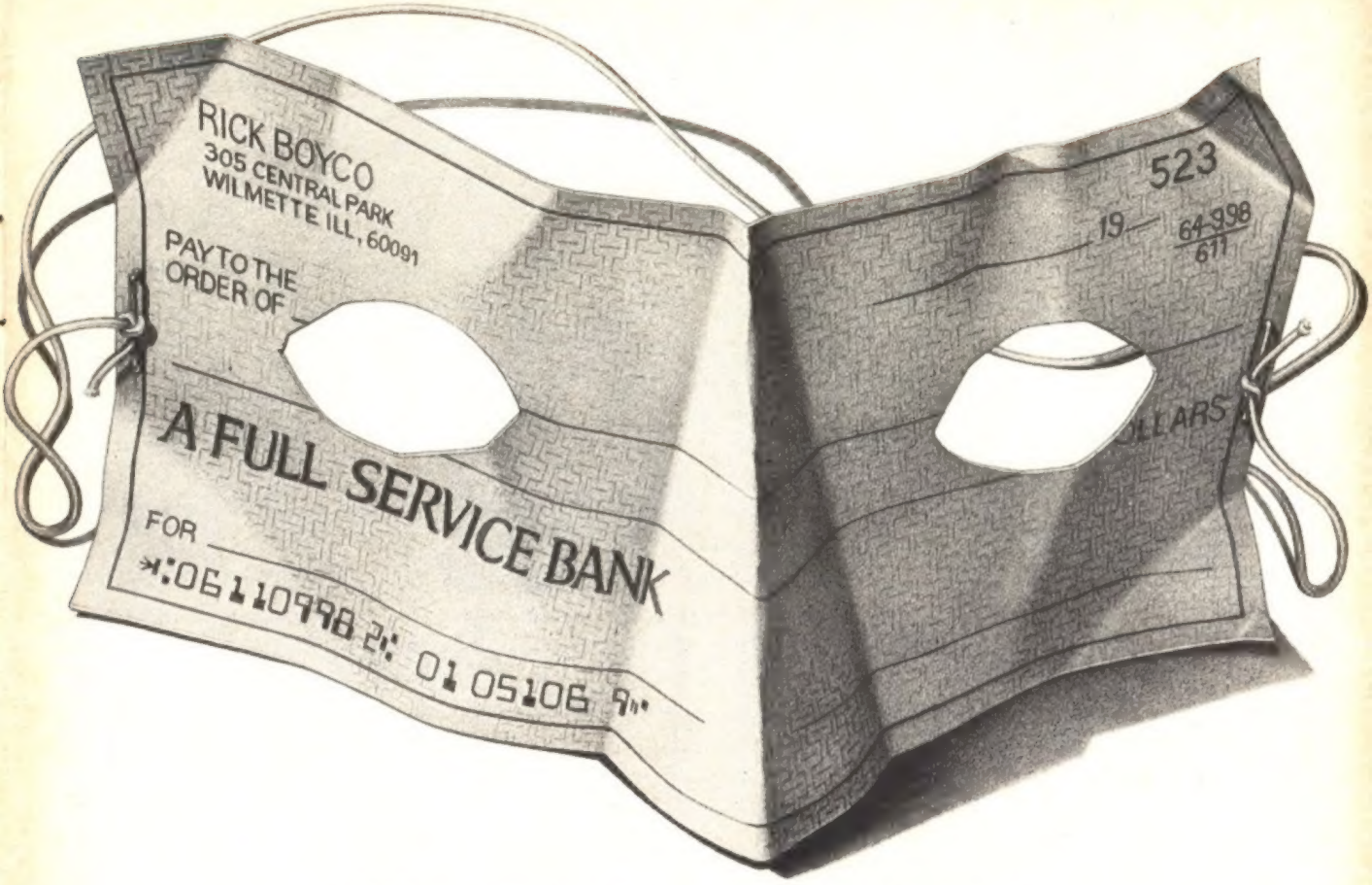

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JANUARY 19, 1981 Vol. 117 No. 3 **TIME** THE WEEKLY NEWSMAGAZINE

A Letter from the Publisher

Correspondent William Blaylock's introduction to the once unassailable economic theories of John Maynard Keynes took place eleven years ago in a classroom at U.C.L.A. "The professor lectured convincingly that economics was a 'science,' that the Keynesian consensus had finally ensured a stable and inflation-free America," recalls Blaylock, who now regards such pontificating as painfully naive. "Not only has economics soured into a dubious science, but the consensus that characterized economic policymaking in Washington for two decades has crumbled." Within a single day's reporting for this week's cover story, Blaylock heard a numbing array of economic prescriptions. Former Federal Reserve Chairman Arthur Burns emphasized the need for budget paring, Congressman Jack Kemp stressed stimulative tax cuts, and departing Economic Adviser Charles Schultze made a case for reindustrialization. Says Blaylock: "What has become increasingly apparent is the great difference of views between numerous esteemed economic thinkers and the consequences of this, namely the unsettled, contradictory pull they are exerting on Government policymakers. It is also apparent that the battle for Ronald Reagan's mind has yet to be won." Senior Writer George J. Church, who wrote the cover story, thinks that economists are in disagreement "because, along with the rest of the country, they are learning a whole new set of economic rules."

Senior Editor Taber

Correspondent Blaylock

Senior Editor George M. Taber, who is in charge of TIME's Economy & Business section, reported an August 1979 cover story on the then new theory of supply-side economics and wrote a cover story last year entitled: "Is Capitalism Working?" While Taber welcomes the new public awareness that has made "gross national product" and "prime interest rate" the stuff of dinner table conversations, he cautions that the most important lesson amateur economists can learn is patience. "There will be months of austerity before Americans see any improvement in their own economic world," Taber says. "George Shultz, Ronald Reagan's sometime adviser, summed it up exactly right when he said, 'The economist's lag is the politician's nightmare.' " TIME's cover story this week analyzes both lag and nightmare.

John a. Meyer

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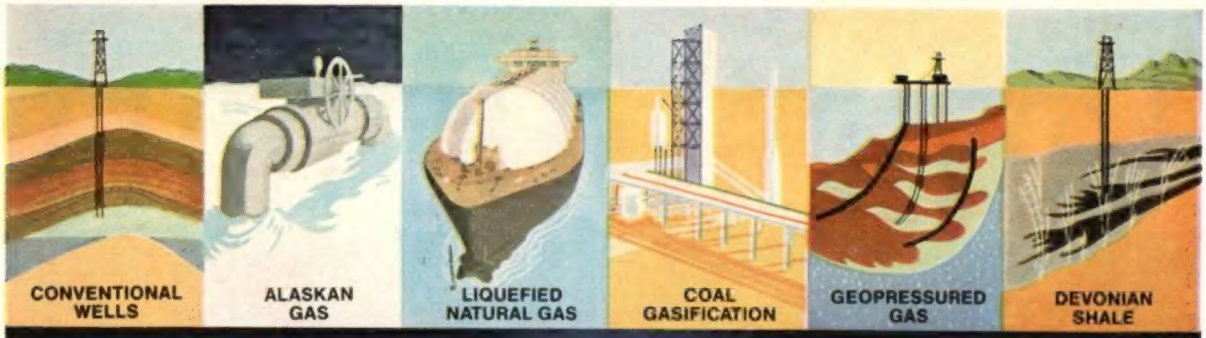

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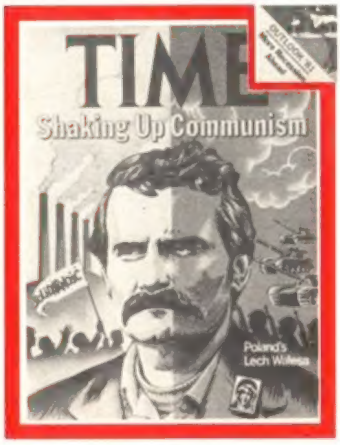
Letters

Poland's Plight

To the Editors:

Three cheers for Lech Walesa and the leaders of Solidarity in Poland [Dec. 29]. With the Soviets threatening their homeland more and more each day, they have stood calmly defiant in support of their ideals and their legitimate demands for a free union system. Their message to Moscow is not only making the Soviets squirm, but is also informing anticapitalist idealists right here in the U.S. that Communism is not working.

John A. Heldt
Eugene, Ore.



By scaling the gates of the strikebound Lenin Shipyard in Gdansk last August to lead what may be the most remarkable workers' revolt in the history of organized labor, Lech Walesa showed the world that the "inevitable" march of history is no match for the indomitable spirit of the individual will.

Edward L. Ozog
Burlington, Ont.

While praising the brave Poles who are seeking simple human freedom, we should try to understand Soviet fears of isolation and encirclement. The time has come to give the Kremlin fewer belligerent warnings about what not to do in the future and more praise for the restraint it has shown in the recent past.

Nathaniel Borenstein
Pittsburgh

Lech Walesa has given new life to the motto "Workers of the world, unite!"

Sanjay Upadhya
Katmandu, Nepal

No Apologies

I am disturbed by the Carter Administration's apparent submission to the demands of Iran [Dec. 22]. The Iranian funds in this country have been forfeited. They should be used to satisfy all creditors and claims against the Iranian government, including the cost of rebuilding the embassy. The hostages and their families should be adequately compensated. There should be no apologies. What have we done wrong?

Clarence Gregory
Philadelphia

The U.S. Government should refuse to negotiate for the freedom of the hostages, for doing so means succumbing to bribery and acceding to the defiance of international law. For the greatest nation on earth to so humiliate itself is lunacy. Any self-respecting nation must be prepared to sacrifice the lives of some of its citizens to preserve its integrity and honor.

Alan Coburn
Nelson, N.Z.

First Decorator

Nancy Reagan proposes to squander the price of four modest American homes to redecorate what must be—by any standards—a more than adequate dwelling place [Dec. 29]. Is the future First Family unaware that these are times in which responsibility means practicing continence, if not austerity?

Barbara McClatchie Andrews
Clinton, N.Y.

If Mr. Reagan wants to cut the fat off Government spending, perhaps he should start at home by educating his wife to set an example.

Denise Stewart-Sanakria
Norwood, Mass.

Don't you think it is about time for us to lay off dear Nancy? After all, she is new to the job it took her ten or twelve years to gain.

Ruth Yates
Kingsport, Tenn.

Motown Woe

Doesn't it seem strange that at a time when Big Business and some Government economic experts have told us price and wage controls will not work and are "the wrong way to go," the Chrysler Corp. has asked for a two-year wage freeze for its workers and for a price cut on materials from its suppliers [Dec. 29]?

Thomas M. Spencer
Washington, D.C.

In our neck of the woods, substitute teachers are paid $30 to $35 a day. It will be a long time before I can pay for a car that is put together for $20 an hour.

Elizabeth Diedrick
Edgerton, Wis.

Energy Saving

In reference to your article "The Seven Lean Years" [Dec. 22]: Whom are you kidding? Why blame the price of oil for the energy crisis? If the U.S. Government had left the price of oil to the marketplace, it would have gone up long ago, as it has in most other countries. We Americans would have long since thought of smaller cars, insulation for homes and alternative fuel sources.

Charlotte Clay Sawyer
San Diego

Those idiots who exhort us to "split wood, not atoms" have engineered the greatest potential environmental disaster in history. The fouled air, sterile waters and mountains of sludge generated by burning millions of tons of coal will be the legacy of our folly in ignoring the great promise of nuclear power.

Sean T. Mulligan
Brookfield, Mass.

If the experts think coal consumption will cause "possible irreversible damage to the world's environment," what do they think nuclear waste will do? And as for a "healthy growing economy," how about healthy growing children?

Debbi Farr
Van Nuys, Calif.

Joni's Friend

Thank you for telling Joni Eareckson's story [Dec. 29]. Now others will know where to turn for help in their time of deep need—to Joni's best friend, her God.

Louise Prinsell
Houghton, N.Y.

Vital Transplants

Re "Are Some Patients Being Done In?" [Dec. 29]: I am a transplant patient and have many other transplant patients as friends. I received a successful transplant, but not until my third attempt. My friends have not all been so lucky, and some of them have died because of articles like this, which bring down the donor list by as much as 50%. You should apologize for presenting only one side of a truly life-and-death issue.

Daniel Walker
Elkins Park, Pa.

Old Kinderhook

An additional nickname for President Martin Van Buren can be added to the two in the sprightly Essay [Dec. 29] on what to call Mr. Reagan. Our eighth President was called "Old Kinderhook," after the New York State municipality that was his home, and "O.K." was shouted in torchlight parades in enthusiasm for him. Hence that quintessential American affirmation, O.K.

Franklin Courtney Ellis
Winnetka, Ill.

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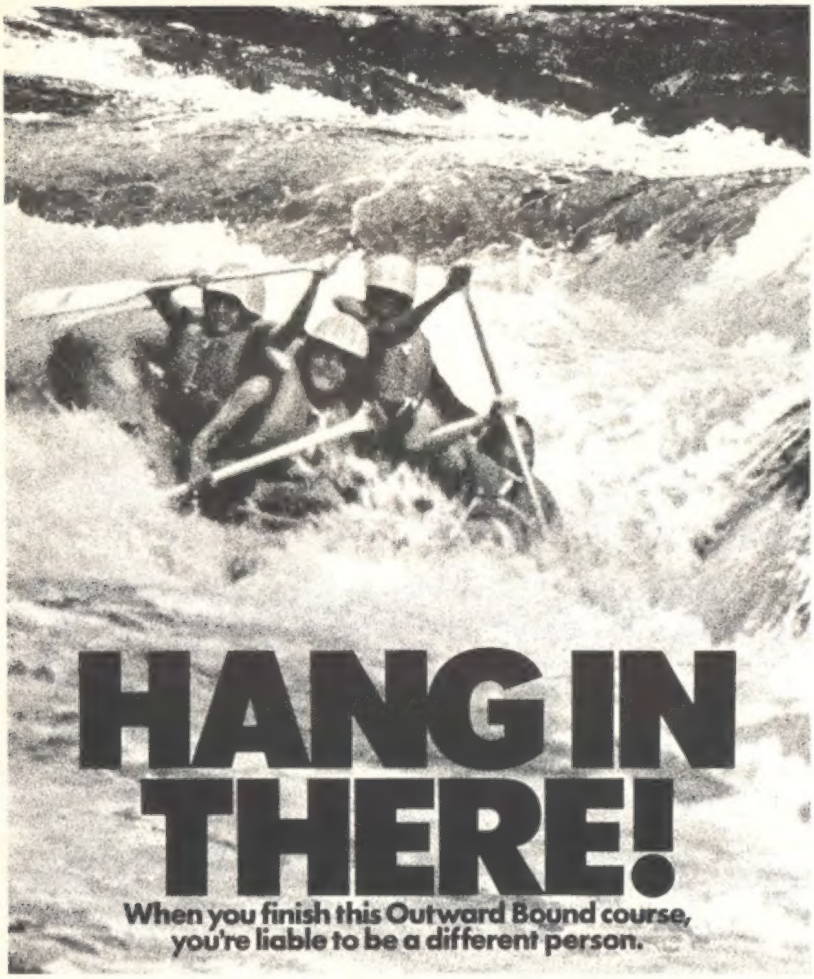

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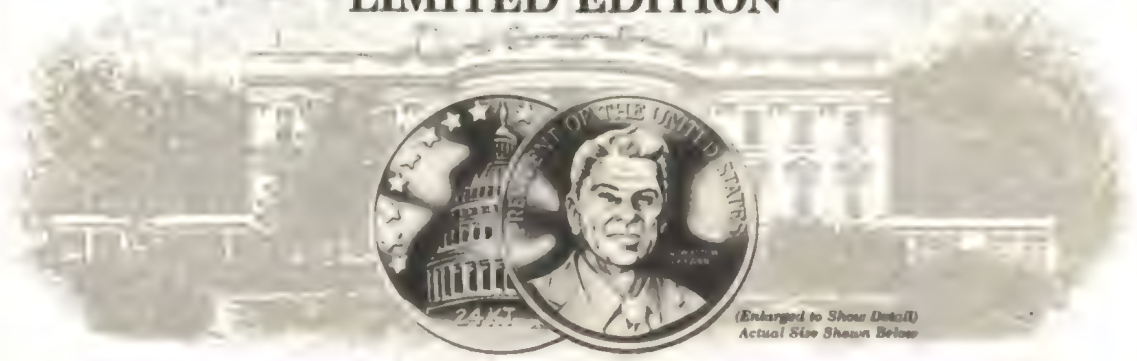

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In Missouri: A Beastly Display

Dave Hale is just a touch worn down, maybe about nine-tenths beaten to a frazzle. But he hangs in there, functioning on pride and coffee. He sells a porcupine for $100, which is about $98.75 more than any porcupine that can't play *God Bless America* on the musical goosehorns is worth. He sells an ostrich egg for $17, a slink of ferrets for $21 apiece, two ducks for $4 each, and a pregnant monkey named Bonnie for $575. A female African lion cub, not more than 6 in. high, 30 in. long including tail, and only a few weeks old, goes for $450. "Dime a dozen," says a professional cat man. "Everybody's got too many lions."

Things are winding to a close. Out of the bottom of the barrel comes a coatimundi, looking like a fox that has attended the Harvard Business School. Guinea pigs: Hale starts the bidding at 25¢ and, working the crowd expertly, talks the price up to $1.50 a head. Sold to Randy Horstman, 12, of Metropolis, Ill., who has bought heavily in gerbils some minutes before. Now someone stretches up and says something to Hale, high in his red-painted auctioneer's pulpit, and Hale looks unsure whether to giggle or break down crying, and he clicks on the microphone and says: "Folks, man here bought himself a 7-ft. 6-in. camel a couple of hours ago, and he's only got a 7-ft. horse trailer to put it in, so what we're gonna do right now . . ." It was promptly resold.

The show has been playing for two days in a circus tent at Hale's 5-H Ranch, a drive-through animal park in Cape Girardeau, Mo. It has brought animal fanciers from 43 states, New Zealand, Mexico and Canada. Close to 2,000 head of animals are on hand, including a couple of elephants (the bidding on one goes to $21,000, but there is no sale, because the owner values them at $40,000 apiece). There are four giraffes, axis deer, oryxes, African crowned cranes and elands that were hand-raised and are, says Hale, "as gentle as a sick pig." Lynxes, cougars, midget horses are on the block too, as well as a fraternity of elk, including one handsome fellow named Fred, who, according to Hale, has attended two national Elks conventions.

Come to think of it, there seem to be more elk than a reasonable man would think necessary. One of the bidders explains why. There is a lively market in the Orient for powdered elkhorn, a sure-fire aphrodisiac, and an 18- to 20-lb. rack of antlers will bring about $105 per lb.: "Of course, you got to cut the rack off when it's still in velvet, and some folks think that's cruel, but it don't do no real harm, and you still got your elk."

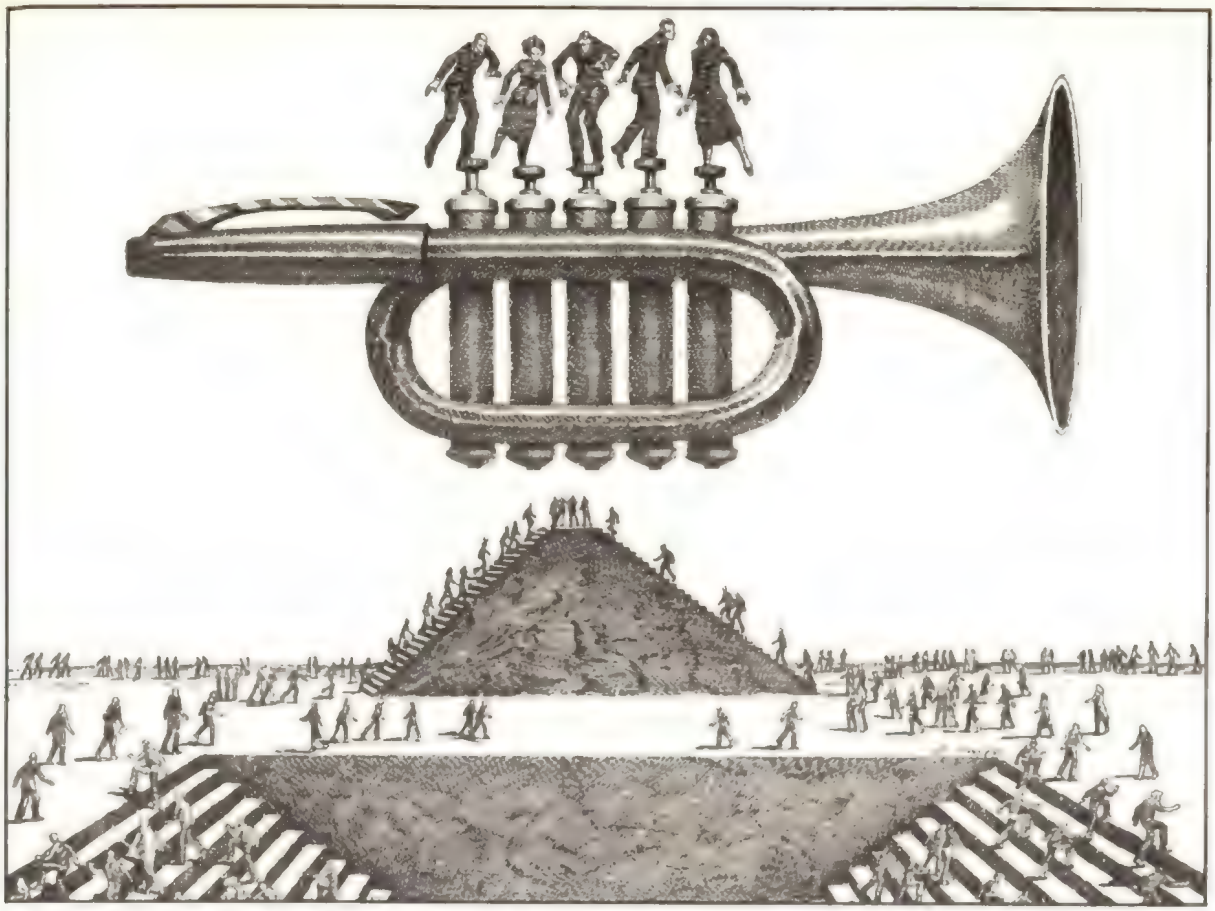
A door opens at stage left, and four small aoudads, delicately horned mountain sheep from North Africa, spring into the auction cage. These are young ones, only about 20 in. high at the shoulder, but they are old enough to react as adults to the menacing noise of the auction crowd, and they form a protective circle, rumps together, horns toward the danger. Many of the larger animals grow even more agitated in the cage. A big, fine-looking red deer stag charges Earl Tatum, an animal handler from Eureka Springs, Ark., who is working the cage, and strikes the metal shield Tatum carries with an emphatic clang. Earlier a large male gemsbok hooked murderously at Tatum with his sword-sharp 30-in. horns. The handler, smiling a little, turned him aside. He is a beefy middle-aged man with tattooed forearms, and he looks like an old professional middleweight who has agreed to spar with an amateur.

"He sure rang our bell, Earl," says Bob Hale, Dave's older brother, who is handling part of the auction. He is red-faced and stocky, and he looks like the man named Doc that mothers tell their sons not to play poker with. Dave is quick and calm when he has the mike, but Bob's style is to generate a lot of steam. "Eleven, eleven, eleven," he chants, peddling a zonkey, an exotic cross between a zebra and a donkey. "Now twelve, twelve, buy, buy, buy, I hear twelve, now thirteen, buy, buy—" he stops his chant to point at a hesitant male bidder who sits next to a woman whose mouth turns down at the corners. "Do you have to get her say-so every time you make a decision?" Then the chant resumes: "I hear thirteen, fourteen, fourteen, it's a honey, it's sold for $1,300, and you won't regret it." A.C. Parsons is counting the money he has left. He is a dry-wall and insulation contractor from Waco, Texas, who says he came to Hale's auction with a flock of ostriches to sell and about $25,000 to spend. Parsons began buying exotic animals a few years ago as a hobby, but things got out of hand. Next spring he plans to open his own 850-acre drive-through animal park at Clifton, Texas. He wants a giraffe in the worst way, and how much it costs him will determine how many other animals he can buy for his park. The giraffe bidding stops at $4,000, and Parsons gets a fine twelve-footer with low mileage and no rust.

At Cape Girardeau, an auctioneer conducts the bidding on a rare African eland

Some of the buyers are animal-park owners, like Parsons, and most of the beasts they cart off will be well cared for. Others are private hobbyists. Some of the animals they have bought and sold—the caged cats, in particular—are scarred and sorry-looking. "I'm not real crazy about this part of the sale," Dave Hale admits. The remaining buyers own game preserves where gunners who are quite sure that they are sportsmen pay to shoot at prize specimens in half-tame herds. The sheep and deer and antelope to be killed are cared for very well indeed—after all, no one wants to give the taxidermist a carcass that was sick or underfed.

It is well past suppertime by now, and the buffalo-burger stand has closed. Something like $1 million worth of animals has changed hands. Time to go. On the way out, the observer meets a man from Kentucky who has just bought a lion. He seems dazed. No, he says, he is not an animal-park owner, he is a farm hand. "Well, I really couldn't say why I bought it," he says. "I didn't rightly need it, but I saw it sitting there." —*By John Skow*



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TIME, JANUARY 19, 1981

Riding into the Sunrise

The next President makes the final preparations for his New Beginning

DIRCK HALSTEAD

Mexican President López Portillo admiring a hunting rifle given to him by Reagan

It was nearly lunchtime one day last week when Vice President Walter Mondale led 43 Senators into the cavernous and half-empty House chamber, sat next to House Speaker Tip O'Neill on the rostrum and began one of the oddest—but necessary—rituals of American presidential politics. Exactly two months earlier, Ronald Wilson Reagan had been elected President; in exactly two weeks, he would be inaugurated. Yet, under the cumbersome election procedures set forth in the U.S. Constitution, he was not yet officially President-elect of the United States. One by one, Mondale opened 51 sealed envelopes, which contained certificates reporting the results of Dec. 15, when presidential electors cast their ballots in the 50 states and District of Columbia. As each return was announced, there was an occasional smattering of applause from either the Democratic or, more often, the Republican side of the aisle. Then two Senators and two Representatives acting as tellers added up the totals and reported them to Mondale. He intoned: "Ronald Reagan, of the State of California, has received for President of the United States 489 votes; Jimmy Carter, of the State of Georgia, has received 49 votes."

At the moment November's election results were made official, the winner was at the other end of Pennsylvania Avenue, on his third journey east since Election Day, presiding over a lunch at Blair House for women members of Congress. There he was given a preview of the demands that will begin to supplant the ritual once he is in the White House. Democrat Shirley Chisholm, whose district contains Brooklyn's Bedford-Stuyvesant ghetto, asked what he was going to do about jobs for the inner cities. Reagan briefly explained his support for an innovative proposal to establish free enterprise zones that would provide tax incentives for industry to move into impoverished areas. Chisholm did not press the matter, even though she is skeptical about Reagan's approach. If it works, she cracked, she would consider becoming a Republican.

And so it went most of the week, as Reagan slowly and tentatively began to immerse himself in the realities of the job he had so spectacularly won. Aides claimed, with considerable justification, that he spent more time working on substantive business last week than at any other point since his election.

On his way east he deftly handled a courtesy call on Mexico's President José López Portillo. Reagan's graceful approach was warmly applauded by the Mexicans, who felt that it laid a solid groundwork for a new level of friendship and cooperation between the countries when Reagan and López Portillo meet again, probably within the next six months.

Later than most modern Presidents, Reagan completed his Cabinet and top staff, naming Terrel Bell, Utah's commissioner of higher education, as Education Secretary and Transition Spokesman James Brady as press secretary. Reagan also settled on G.O.P. Chairman William Brock as Special Trade Representative.

Finally, Reagan tackled what may be the toughest of his problems as President: the economy (*see* ECONOMY & BUSINESS). Armed with black loose-leaf briefing books neatly tabbed by subject, his economic advisers assembled at Blair House to give him the news of the worsening 1981 deficit and the increasing difficulty of balancing the budget even by fiscal 1984. Reagan was shocked by that prognosis, his aides said, but when presented with the long list of possible cuts he would have to consider making to trim the deficit, he slapped the table and declared: "By God, if that's what it takes, we'll do it." These budget slashes will be politically painful and controversial, but Reagan seemed unwavering in his determination to push through the tax cuts he had promised during the campaign, though he did tentatively decide not to make them retroactive, as originally planned, to the beginning of this year.

At the end of his visit to Washington, Reagan claimed that "we've had the greatest and most thorough transition process that anyone has ever had." Well, not exactly; after all, not everything went as smoothly as he had hoped. It would have been strong psychological medicine to have an economic program ready for Congress to act on right after the Inau-

gural balls. That, however, will have to wait another month or so. Reopening the Strategic Arms Limitations Talks will take even longer. Defense Secretary–designate Caspar Weinberger told the Senate Armed Services Committee that even though transition teams have worked on the problems since November, it will be "a good six months" before the new Administration will be ready to discuss new agreements with the Soviets. Indeed, selecting staffers for the key jobs at the sub-Cabinet level at the Defense and State departments is just beginning and promises to be a process as complex and intense as the struggle for some of the Cabinet slots.

Carter Administration officials, while pleased by Reagan's refusal to interfere in their handling of the hostage crisis beyond public statements that the Iranians will not get a better deal from him, are puzzled that his advisers have not kept closer watch on the negotiations.

Nevertheless, Reagan's honeymoon promises to run for quite a while, certainly far longer than the few weeks afforded Carter, who arrived in Washington with nothing but disdain for its political establishment. As Reagan moved east, he wore his usual gee-isn't-everything-wonderful smile wherever he went. His first stop after leaving Los Angeles was the eight-lane highway bridge over the Rio Grande, which is known in Mexico as Rio Bravo del Norte. There he was supposed to meet López Portillo midway, on the border, in keeping with Mexican law, which forbids the country's President to go abroad without his legislature's permission. But when Reagan and his aides were slowly walking from their motorcade on the American side, the Mexican President bounded 20 yards across the border to greet him. Both men's aides insisted that it was a grand symbolic gesture. In addition, López Portillo took Reagan by both arms and gave him a half *abrazo*, the bear-hug embrace that is a traditional Latin American sign of affection. Jimmy Carter, whom López Portillo personally disliked and who quarreled with Mexico on everything from natural-gas prices to oil spills, got a tepid handshake when he visited Mexico in 1979.

The Mexicans went to considerable lengths to see that Reagan was comfortable. The banquet in the sombrero-shaped, wood-paneled Museum of Art and History in Ciudad Juárez was catered by a restaurant across the street. But lest his corn soup and steak get cold before it could be brought over, a full kitchen was hastily installed in the museum director's office. Reagan presented a Remington .30-06 hunting rifle from his personal collection to his fellow gun fancier and a case of California white wine made from grapevines that had originated in Mexico. In return, he received a three-volume set of books on Mexican art, a copy of López Portillo's own novelette *Quetzalcoatl*, and a glass etching of a horse made from one of the President's own drawings. "Real art," said Reagan as López Portillo beamed and clapped. "As you know, I'm moving into public housing. I assure you that these gifts will be very much in evidence in the White House."

Their discussions were symbolic rather than substantive. Said Reagan at one point: "Our leaders have sometimes talked too much about each other and not enough to each other." Interjected López Portillo: "*Magnifico, Señor Presidente.*" From Reagan's viewpoint the visit served to underscore his vague idea, stated at the beginning of his campaign, of a "North American Accord." Richard Allen, who will be Reagan's National Security Adviser, explained that the accord "does not have a specific content, but conveys, one might say, a state of mind"—that of more cooperation between the U.S. and its neighbors.

For Mexicans the symbolism of a new state of mind was more important than detailed discussions of each country's interests and disagreements. Said a high Mexican official in describing his government's impression of Reagan: "The perception was one of tact, delicacy and of an almost conscious effort at being understanding." Mexicans have long been rankled by the condescending attitude of U.S. leaders toward their country as a sleepy little brother or, more recently, a source of exploitable energy. Said a senior American diplomat: "The best way to get more [Mexican] oil is not to ask for it." Said another American official: "People have got to stop saying that this is a tremendous resource for the U.S. It drives the Mexicans up the wall." Heeding such advice, Reagan gracefully spoke to López Portillo of friendship, not natural gas or oil or even of illegal Mexican aliens in the U.S.

With this new base of top-level cordiality, the sticky problems of fishing rights, immigration, energy prices, troubles in El Salvador and Nicaragua, and López Portillo's planned summit in June of the world's less developed countries and industrial nations, can all be discussed later. López Portillo particularly wants the U.S. President to attend the summit. But Reagan may decline the invitation for fear that he would end up being a target at the session for leftists who too often blame the U.S. for their countries' problems.

When Reagan arrived in snowy Washington that evening, he immediately went to the Corcoran Gallery of Art for a reception in honor of the new Senate majority leader, Howard Baker. Said Reagan: "In the campaign he did as much as anybody could, a large part of the reason why he is now majority leader."

Consulting with Haig at Blair House

Meeting with Robert Byrd, George Bush, Paul Laxalt and Howard Baker at the Capitol

A determination to provide better management and to change the Government's direction.

An $8 Million Shindig

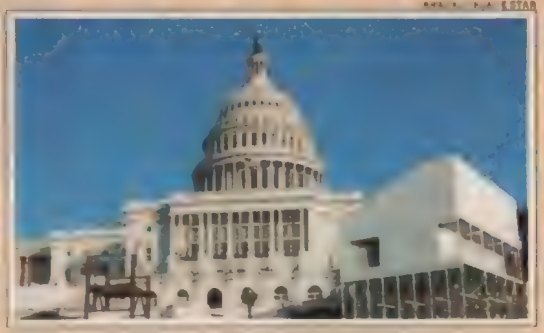
Ronald Reagan may have campaigned on a pledge to cut spending, but he clearly does not believe that austerity must begin at home—at least not so far as the Jan. 20 Inauguration is concerned. In a return to an older elegance, Reagan and his entourage will wear formal morning suits complete with striped gray trousers and a white pleated-front shirt at the 11:30 a.m. swearing-in ceremony, which for the first time will be held on the West Front of the Capitol, facing down Pennsylvania Avenue. That evening there will be nine formal balls (Carter had six) attended by celebrators willing to pay $100 and up for the chance to help ring in the new Administration. The ticket revenue will help pay the $8 million-plus cost of a four-day series of assorted events intended to launch the Reagan years with fun and flair.

The festivities will begin on the weekend before the swearing-in. On Saturday night, 10,000 rockets will be shot off in a 14-minute fireworks extravaganza at Lincoln Memorial; laser beams will link other monuments. That same day George Bush and his family will be welcomed by Texas Governor William Clements at a "black-tie and boots" reception. On Sunday, there will be two candlelight dinners and four concerts at the Kennedy Center, featuring Dancer Mikhail Baryshnikov, Pianist Rudolf Serkin, and Conductor Mstislav Rostropovich leading the National Symphony Orchestra. Nancy Reagan and Barbara Bush will toast a "distinguished ladies" reception for 7,000 on Monday. But that day's highlight will be Frank Sinatra's Inauguration eve gala at the Capital Centre in Maryland. Some 19,000 have been invited to pay from $50 to $10,000 (for a ten-seat box) to see Ol' Blue Eyes put on a show that will include Johnny Carson, Debby Boone, Donny Osmond, Ethel Merman, Jimmy Stewart and Charlton Heston.

Many of the ceremonies will have a made-for-TV look. The new President's traditional post-Inaugural lunch in the Capitol's Statuary Hall will be televised. Although the Tuesday night balls, with such hosts as Reagan Pals Liz Taylor, Ed McMahon and Hugh O'Brian, will be open to 40,000 guests, their revelry will also be telecast to many more at "satellite balls" in such places as Hastings, Neb., Pocatello, Idaho, and even Paris. Tickets to these balls start at $5.

Organizers hope that half the tab for the Inauguration will be covered by ticket receipts for the balls and receptions. But the $4.2 million overhead, including salaries for 400 of the 3,400 Inaugural committee staffers, will be raised from the largest offering of souvenirs ever. A 14-page brochure of commemoratives, mailed to millions of Americans, lists copies of a Frederick Remington bronze at $1,875 per, a porcelain "Nancy Reagan rose" for $650, a set of highball glasses for $35, even pieces of wood from the reviewing stand encased in Lucite for $28. Inaugural auto license plates, valid in any state until March 15, come in two models: $25 ones bearing only numbers and $35 "vanity plates" with a choice of lettering.

The Inaugural parade, of course, is free for anyone willing to line up along Pennsylvania Avenue. Carter's lasted two hours, but Reagan's will be held to one, to accommodate TV's limited attention span. Explains Event Chairman Terry Chambers: "President-elect Reagan asked for a short snappy parade." As a result, dozens of high school bands casually invited by Candidate Reagan during the campaign have been quietly disinvited. Only 20 bands, including one from Reagan's home town, Dixon, Ill., will march on Jan. 20; the rest will be asked to play concerts on the White House lawn some time later. The parade will include 26 equestrian groups and three dogsled teams.



Ready for the swearing-in: the Capitol's West Front

There are people who are disgruntled about the arrangements. Some are upset by the price (it would cost a minimum of $2,000 to buy tickets to all the events); a few Congressmen are ruffled by a "suggestion" that they too wear morning suits at the swearing-in. Jimmy Carter, who wore a business suit to his Inauguration, will bow to Reagan's dress code. But Democratic Senator Don Riegle of Michigan is outraged: "I'm not sure that's the way to start fighting inflation." Counters Inauguration Co-Chairman Robert Gray: "If the swearing-in of a President is not worthy of the dignity of formal clothes, then we should do away with them." Reagan aides hint that he may also distinguish the event with an as yet undisclosed gesture that will rival Carter's celebrated walk down Pennsylvania Avenue to the White House. Boasts Gray: "People will remember more about this President's Inauguration than how he got home."

Commemoratives on sale to help pay for the festivities

Licenses to celebrate

On Reagan's first morning in Washington he met for more than an hour with Alexander M. Haig Jr., his choice for Secretary of State, whom he had not seen privately since the Republican Convention. They discussed the major foreign problems the new Administration must face immediately on taking office, and Haig's confirmation hearing. Haig secured a personal pledge on two things Reagan has publicly promised: that the State Department would have primacy in formulating policy, and the Secretary of State would be the chief spokesman for it. Said Haig: "We discussed a number of current foreign policy issues that are very urgent and very important." Among them was the list of options, tentatively drawn up by the foreign affairs advisers on the transition team, for dealing with the Iranian hostage crisis

Reagan showed anew his deft hand in stroking Senate Democrats. The occasion was a steak-and-salad luncheon in the Senate's gilded Mike Mansfield Room with Democratic Senate Leader Robert Byrd of West Virginia as host. The House and Senate had the day before completed their own ritual of installation, for the 97th time in history. The newly elected Senators were escorted to the podium, usually by the senior Senators from their states, and sworn in by Mondale. South Carolina's Strom Thurmond, the Senate's senior Republican, was elected president pro tempore, and Baker took over from Byrd as majority leader. On the House side, where Democrats retain control, Tip O'Neill was reelected Speaker. The two Houses then formally notified the President that they were organized and ready to consider any message that he might wish to send them

Byrd, in his new and unaccustomed role as minority leader, urged Reagan at the luncheon not to hesitate to call on the Democratic talent in Congress if he had a problem that needed solving. Byrd quipped that, despite Reagan's request that Congressmen and Senators wear formal attire at the Inauguration, he might show up in his favorite red vest, which he was proudly wearing. But Reagan upstaged him with what he called, using an old vaudeville term, his get-off line: standing near a portrait of Mansfield, who was a popular Democratic Senate leader for 16 years, Reagan announced that he had phoned Mansfield in Tokyo and asked him to stay on as U.S. Ambassador to Japan, making him the first high-level Democrat retained by the incoming Administration. Reagan was impressed with Mansfield when he visited Japan two years ago, and the craggy Democrat had also been gracious to George Bush and Richard Allen when they stopped over on their trip to China early in the election campaign. It was a well-nigh universally popular decision: Mansfield, an authority on Asian culture, is liked enormously in Japan.

The President-elect met twice with his Cabinet choices during his visit. There was a purely social dinner at Blair House for the nominees and their wives and an "executive seminar" in a conference room at the State Department the following morning. At the working session, Reagan spoke of his determination not only to provide better management, but also to change the direction of Government. "I want free, open discussions," he said of his Cabinet meetings. "Only that way will I find out what I need to know to make a decision." He added only one prohibition: no one should mention political implications when assessing options. "We want to operate as if there is no next election," he said, a theme he sounded in his campaign and claims was his stance as Governor of California. Senior Staffers Edwin Meese, James Baker and others also made short presentations

RODDEY R. MIMS

Walter Mondale and Tip O'Neill tallying the electoral votes

As he traveled east, Reagan also was all smiles

Having balanced his Cabinet with mostly traditional Republican pragmatists and more ideological Reagan loyalists, Reagan is now faced with doing the same in key sub-Cabinet posts. His choice for Deputy Defense Secretary, Frank Carlucci, is a classic example of the former group, a versatile administrator of moderate Republican leanings. Currently deputy CIA director, Carlucci is a former deputy to Weinberger at OMB and HEW, and the Defense Secretary-designate has insisted to Reagan that Carlucci be made his deputy despite furious opposition from right-wingers who consider Carlucci too liberal in his political sympathies

Reagan's choice for No. 2 at the State Department, William Clark, is a Republican loyalist from California who worked for Reagan when he was Governor and was eventually elevated by Reagan to the state supreme court. Clark is worried lest his departure from the California court leave a vacancy that Governor Jerry Brown might fill with a liberal jurist, further tipping the court's balance toward the left. For Deputy Treasury Secretary, Reagan's more conservative supporters are urging the appointment of New York Drug Store Magnate Lewis Lehrman, an outspoken proponent of a return to the gold standard. But Donald Regan, the designated Treasury Secretary, reportedly feels uncomfortable with Lehrman's strong views. Thus Reagan might turn instead to Beryl Sprinkel, chief economist of Chicago's Harris Bank and a member of the TIME Board of Economists

Reagan again left behind a warm feeling among the people of the town that he had run against as a campaign issue. On the plane flight to California, he prepared for his next big event in the city, his Inaugural Address. Said he after the flight: "I'm several yellow pages into a tablet that I was working on all the way on the plane, but I haven't come to that magic page—the last one." Once home, he watched the Senate confirmation hearings of his Cabinet nominees on television. Leaving his barbershop on Friday, Reagan commented on Haig's performance: "I think he's taking care of himself pretty well." He will spend a long weekend with his wife at their Pacific Palisades home, packing for their move to Washington this week

Jimmy Carter also flew home last week, to make plans for his own transition. In Plains he visited his mother, who is recuperating from a hip injury, and cleared out her house in town, which he will rent for less than $250 a month, to use as his office. Unlike Reagan, Carter departed with no get-off quip, but Mondale, who plans to join a Washington law firm, had an exit line that elicited a response any vaudevillian would envy. Standing on the rostrum of the House chamber, after certifying Reagan as the electoral-vote winner, Mondale announced the tally in the electoral balloting for Vice President. After Mondale proclaimed George Bush's tally, legislators on both sides of the aisle, as well as the spectators in the gallery, rose to give Mondale a standing ovation for his finale: "Walter F. Mondale, of the State of Minnesota, has received 49 votes." —*By Walter Isaacson. Reported by Laurence I. Barrett with Reagan and James Willwerth/Juárez*

Hearing and Believing

The Senate begins surveying Reagan's Cabinet choices

He anticipated at least two days of tough grilling from the Democrats on the Senate Foreign Relations Committee, if not on his foreign policy views, then on his actions as Richard Nixon's chief of staff during the final months of the Watergate crisis. So four days before the hearing opened, he met privately with Republican Senators on the committee to work out what Californian S.I. Hayakawa delicately called "friendly" answers to the expected hostile questions. But when Alexander Meigs Haig Jr., Ronald Reagan's nominee for Secretary of State, finally sat down last week at the green baize covered conference table in packed Room 1202 of the Dirksen Office Building and faced the committee's 17 members, no sharp exchanges materialized.

Instead, like the eight other Reagan Cabinet nominees who testified at other confirmation hearings last week, Haig underwent mostly gentle questioning, even from the Democrats. Not one of them disputed Chairman Charles Percy when he told Haig: "As of now, I personally have no information that would justify an adverse conclusion, or which suggests that this nomination should be delayed."

With Republicans in control of the Senate, the Democrats never stood much chance of blocking the approval of any nominee, not even that of perhaps the most controversial, Denver Lawyer James Watt, whose selection as Secretary of the Interior was stoutly opposed by environmentalists. The nominees breezed through their hearings with hardly a contrary question or comment from the Democrats. Yet though the hearings provided no fireworks, they did offer some insights into the views of the Reagan team.

The premier appearance was, of course, that of Haig. At his own request, he testified under oath. Behind him sat Wife Patricia, Son Alexander, 28, and Brother Francis, a Jesuit priest. The former four-star general began by reading, in forceful tones, a well-reasoned, 20-page statement, in which he reminded the Senators that he had given sworn testimony on eight occasions about his actions during Watergate and other controversial events during the Nixon Administration, and that "none of these investigations has found any culpability on my part."

Indeed, Watergate was scarcely mentioned by Haig's Democratic questioners, whose attempts to gain access to still secret Nixon tapes in the National Archives were stymied—first by procedural delays in locating them and then by Nixon's threat, voiced through his lawyer, to fight in court against letting the committee hear the tapes.

As a result, the hearing concentrated on Haig's view of the world and the U.S. role in it. In an exchange with Majority Leader Howard Baker, he emphatically declared that he believes "there are things worth fighting for." Recalling that the U.S. was "spawned by armed conflict" and that the U.S. fought in World War II "to prevent dictatorship and genocide," Haig added: "We must structure our foreign policy on that credible and justifiable premise." He warned that the steady Soviet military buildup since World War II has produced "perhaps the most complete reversal of global power relationships ever seen in a period of relative peace ... Unchecked, the growth of Soviet military force must eventually paralyze Western policy altogether." Haig told the Senators that the evidence of danger "is everywhere"—in the Soviet invasion of Afghanistan, its forces ringing Poland, its shadow over the Persian Gulf region and its efforts to stir up trouble in Africa and Latin America.

To meet the challenge, he said, the U.S. must build closer ties to its allies with a policy stressing "balance" and "reliability." Taking a swipe at the Carter Administration's handling of foreign affairs, Haig said, "It must be clear that effective policy cannot be created anew daily, informed solely by the immediate need."

Haig pledged to resurrect Henry Kissinger's policy of "linkage" in foreign affairs, meaning that U.S. relations with the Soviet Union will be directly affected by Moscow's behavior anywhere in the world. Haig promised that he would be the principal shaper of the Administration's foreign policy, not incoming National Security Adviser Richard Allen. This statement led Democratic Senator John Glenn of Ohio to observe wryly that Allen has been saying too frequently on TV interview shows that he will keep a low profile. "You have your work cut out for you in that area," Glenn told Haig, as laughter rippled through the room.

The committee is expected to vote to confirm Haig this week, even without access to the tapes. However, the Senators plan to continue to seek any tapes relevant to Haig as part of their continuing oversight function, a process likely to take months.

Caspar Weinberger, the prospective Secretary of Defense, contended before the Senate Armed Services Committee that a "gap" existed in the U.S.-Soviet balance of nuclear weapons. He endorsed Reagan's plans to boost defense spending, but rejected proposals to hike the budget

Alexander Haig forcefully outlining his views on foreign policy to the committee

James Watt pondering a question

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by a fixed percentage each year, as some conservative Senators have suggested. Said Weinberger: "I've never been what is called in the budget business a percentage man. I've never felt that if you had an automatic percentage you were all right, and if you didn't you were all wrong."

At the same time, Weinberger steered clear of committing himself to specific defense policies; for example, he refused to say whether he backed the proposed mobile MX missile system or favored abolishing draft registration. Weinberger did, however, also aim a blast at the outgoing Administration. Refusing to endorse the Carter doctrine that the U.S. would go to war to protect its vital interests in the Persian Gulf, he charged that Carter's failure to consult with allies before proclaiming the doctrine was "extraordinarily clumsy and ill-advised."

At Watt's hearing, before the Energy and Natural Resources Committee, environmentalists tried to strike sparks with bitter statements against the nominee, who as president of the Denver-based Mountain States Legal Foundation has battled to open up more public lands in the West for development. National Audubon Society President Russell Peterson charged that Watt's "actions and statements identify him as an aggressive, shortsighted exploiter rather than a farsighted protector of the nation's air, land and water." But the Senators found the criticism easy to disregard. Moreover, Watt seemed to impress them with his conciliatory tone and forthright expressions of love for the land that he will manage. Said he: "I was born, raised and educated on the plains of Wyoming at the foot of the Rocky Mountains. I know the grandeur and beauty of open space and mountains."

He called the conservation laws "good" and said he had no reservations about enforcing them. In fact, he said, he is more concerned that the purpose of the laws and the West's ecology might be damaged should an energy emergency in the future spawn "crisis-oriented, unreasonable" programs to develop the region's coal, gas and oil resources. Said Watt: "All too often, the Federal Government moves in a crisis, not with the precision of a surgeon's scalpel but with the force of a meat ax. We want the right kind of development to come over time, not the wrong kind of development to come in a crisis." By the end of his testimony, Watt had clearly defused the opposition and won a few more votes for his confirmation. Indeed, none of Reagan's nominees is expected to run into trouble in winning confirmation before Jan. 20. As Liberal Massachusetts Democrat Paul Tsongas told Watt, "You are going to be confirmed, and that will not be my doing. I am speaking mathematically. You have the votes." *—By James Kelly. Reported by Gregory H. Wierzynski/Washington*

Secretary-designate Terrel Bell

Cool Fighter

An exhorter for Education

While U.S. Commissioner of Education under Richard Nixon, Terrel Bell admitted that being at odds with the President "is really part of the job." Said he: "I want to exhort, stir things up, tread on toes." After serving under Gerald Ford, Bell backed the ultimately successful drive to make education a department separate from the morass of Health, Education and Welfare (now Health and Human Services). Now, as the prospective Education Secretary, the final Cabinet choice to be named by Ronald Reagan, Bell should find it easy to be at odds with his new boss, who favors dismantling the year-old Department of Education.

Bell, 59, a teetotaling Mormon and World War II Marine machine-gun instructor, grew up in Lava Hot Springs, Idaho, a farming community. After graduating from Albion State Normal School in southern Idaho, he taught chemistry and physics and coached basketball. Armed with a 1961 doctorate in educational administration from the University of Utah, Bell began earning high marks in administrative posts for the state of Utah, Salt Lake City and HEW. He resigned as Ford's Education Commissioner in 1976 for a more lucrative job as Utah commissioner of higher education, citing the imminent necessity of sending three of his four sons through college.

For the past four years in Utah, Bell successfully ran a state university system faced with soaring costs and falling revenue by carefully cutting programs. Says Donald Holbrook, chairman of Utah's state board of regents: "Bell has been able to keep higher education in Utah away from disaster when unrealized revenues and budget cuts seemed to point us in that direction."

The author of five books on educational philosophy, Bell strongly believes in local control over most education issues. He has said that he believes that the "massive" busing of students over considerable distances to achieve racial balance in classrooms is "going too far" and can be "disruptive." He talks of finding "middle ground" alternatives, such as redrawing boundaries to merge city and suburban school districts so that the schools are no longer lopsidedly black or white. Bell has also supported the establishment of much disputed bilingual education programs. Notes Holbrook: "Bell is an innovator and a conciliator who has been able to draw a consensus from controversial issues."

Although Reagan was expected to name a woman or minority member to the Education post—and two prospects reportedly turned the offer down—national education groups are delighted with Bell's nomination. Has he made a deal with Reagan about the department's life span? Says Bell: "There's no firm commitment to anything except to look at alternatives. It might be an agency at a sub-Cabinet level, or it might be a separate standing agency, or it might be retention of the present structure." Whatever the department's fate, Bell can be counted on to tread on many toes. ■

Affable Bear

A press secretary with spice

The secret of Bear's Goat-Gap Texas Chili, which again this year beat out all contenders for the coveted Washington Chili Bowl Championship, is in the technique and the spices: superhot chili powder, seeded jalapeño peppers, oregano and *masa harina*. So it is with the press briefings of "the Bear," as Illinois-born James Brady calls himself. Even when he has

New White House Spokesman James Brady

A vow never to lose his sense of humor

nothing of substance to say, his witty affability can calm hungry reporters. At one point during the transition when he had no inside news to impart, Brady disarmed disappointed newsmen with a typical wisecrack: "I've gotten so bad on giving out information that the IRS has promulgated a new ruling. Lunches with me are not tax deductible any more."

Now that Brady, 40, has finally been named the new White House press secretary, after a lengthy search turned up no one better or more willing to tackle the job, his briefings will no doubt be known for meat as well as spice. Although not a longtime Reagan insider, he worked closely enough with the President-elect during the campaign to be assured of the access crucial for a spokesman. "The nature of Reagan is that he's an extremely open and accessible person," says Brady. "I feel no access problem at all, because if I did I would not have taken the job." Added Reagan when he introduced Brady at Blair House last week: "I've never run an administration in which people didn't have access to me."

When he launches into one of his droll, deadpan stories, Brady's Buddha-like face tries to conceal an impish grin, with all the success of a novice poker player hiding a royal flush. He relishes answering questions by formulating quotable one-liners and piling adjectives upon metaphors. Occasionally, when he crosses the line from irrepressibility to irreverence, Brady gets into trouble. Once, aboard the campaign plane as it flew over a Louisiana forest fire, he gleefully shouted: "Killer trees! Killer trees!" The reference to Reagan's campaign gaffe about the contribution of trees to air pollution grounded him for a week. Yet he asserts: "I am never going to abandon a sense of humor. If you get so serious that you lose all perspective, you don't serve anybody well, particularly yourself."

It was reported, and vehemently denied by Reagan, that Wife Nancy wanted a press secretary who was "reasonably good-looking." Said the President-elect: "Nancy couldn't be more delighted, and thinks he's absolutely handsome." Perhaps reasonably handsome would be more like it. The 6-ft., 235-lb. Brady has the type of balding, boyish looks that could best be appreciated as cute and huggable by, well, a Mama Bear. No doubt he was chosen less for his physique than for his professional credentials: in the years since he got his 1962 B.S. in communications and political science at the University of Illinois, Brady has worked for the late Illinois Senator Everett Dirksen, the OMB, the Pentagon, Delaware Senator William Roth and, most recently, Texas' John Connally.

Brady has no illusions about his new job. Says he: "There is more than the glamour and title. It's probably the toughest p.r. job in the world." His two deputies will be Karna Small, a television newscaster, and Larry Speakes, a veteran of President Ford's press office. ■

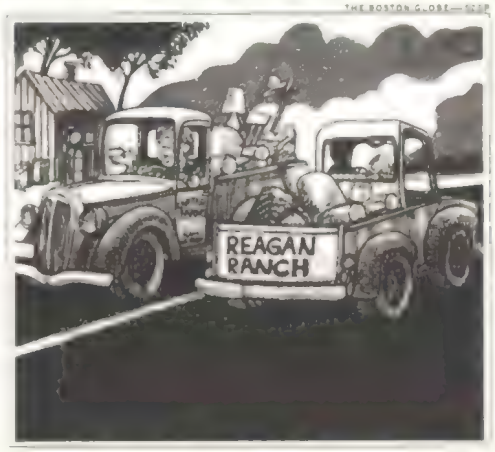
The Presidency/Hugh Sidey

Potomac Transition Fever

Every morning now, when first light penetrates the Potomac River Valley, consultants, think tankers, reporters, lobbyists, legislative aides and itinerant professors hurry from television screens to newspapers, to car radios, to telephones, and finally to their In boxes, rummaging for new data on the Reagan transition that can be analyzed, codified and charted.

Washington is a city with a mind shaped like a box score. It is a place where legions exist to prove that what Presidents have done is wrong and what they want to do cannot be done, or will not work if it is done. This kind of assessment is a high-tension endeavor, employing perhaps a quarter of a million people, and never more at fever pitch than during a presidential transition.

Every action, gesture and word by a President-elect and his staff becomes symbolic of something larger expected later. Every contact, every appointee is a declaration of policy that may rock the world. Nothing is too trivial, remote or obscure. Already the quivering hordes of analysts have perceived the Reagan global strategist (Alexander Haig), most powerful legislative ally (Paul Laxalt), shadow behind the power (Richard Nixon), new fashion color (brown), Administration theologist (George Will), classiest caterer (Finesse), top decorator (Ted Graber), happiest hobby (chopping wood), most dashing dress designer (Adolfo), most celebrated friend (Frank Sinatra) and the assistant President (Ed Meese).



"Transition"

Yet, there is in the analysis industry a great frustration. On certain days around Washington, there is very little to analyze. What may be worse, the Reagans will not heed the studies, charts and diagrams of how to conduct a transition. Reagan has just met for the first time some of the people he named to his Cabinet. Those who believe that a President-elect should eat, talk and pray with his Cabinet nominees were stunned.

Learned articles were written about the hazards of splitting White House authority between Ed Meese and Jim Baker. The idea of a super-Cabinet committee, of collegial decision making, drew somber sighs from Harvard to Georgetown. Editorial pages choked with warnings about the confusion, cost and delays in the transition.

But an odd thing occurred. Not many people seemed to be listening or to care. Chief of Staff Jim Baker went cheerfully about the business of planning his office, confident that the personal relationships of the staff would in the end confound the chartmakers. Reagan was back on his ranch chopping more wood, which further flummoxed journalists who were in California to write about the President-elect preparing to shoulder the burdens of the world. They wrote interminably of the fact that there was nothing to write about.

There have been mornings when the good liberal pages of the Washington *Post* seemed to drip tears in melancholy memory of the old days of lists and rosters and diagrams. "How much time did you spend with Governor Reagan in discussing this position?" an incredulous Democrat, Senator Dale Bumpers, asked Interior Nominee James Watt, who answered, "About 15 to 20 minutes." Reporters nearly dropped their tape recorders.

Complaints about the cost of the Inaugural, the formal wear, Reagan's refusal to be drawn into policy discussions, all seemed to slide off the President-elect. Nancy did not even travel to the capital on the third visit, and Reagan arrived with his same familiar speeches—and his same enduring good-guyness.

There is not a person alive—including Ronald Reagan—who knows if his unorthodox approach is going to work. If it does not, he will become Harvard's laboratory example of failure for generations of political science students. If it does work, Ronald Reagan will be hailed as America's latest political genius.

CIA Director Stansfield Turner: under him, the agency's morale plummeted

New Day for the CIA?

The demoralized agency is headed for a major overhaul

"It's a disaster out there." "The plant has depreciated enormously." "There are shortages just about every place you can think of." Comments like these from members of the intelligence community suggest that no other Government agency is in such urgent need of rehabilitation as the CIA. The agency has even fallen behind in its technology: top officials say that it does not have enough spy satellites. Its analysis has often proved faulty, most notably in Iran. Once grandiose covert operations are now run on a shoestring. Counterintelligence has been reduced to the point where many U.S. experts fear it is not adequate to cope with the CIA's principal adversary, the KGB, which is more active than ever.

Both the American public and Congress seem increasingly in the mood to back a substantial overhaul of the agency. There is a widespread perception that despite its lamentable excesses in the past, the CIA cannot be permitted to languish, that its mission is vital to U.S. security. Says Barry Goldwater, the new chairman of the Senate Intelligence Committee: "I think the CIA is going to find a very cordial reception here. It's difficult to discover any opposition to intelligence. We've learned a lot."

This attitude coincides with the new President's apparent determination to restore the muscle of the CIA and make it an important element of his Administration's global strategy. Reagan indicated his concern with the appointment of William Casey, his campaign manager and close adviser, as CIA director. Casey, a former chairman of the Securities and Exchange Commission, once served as a top-ranking officer in the CIA's famed predecessor, the OSS of World War II. Since then he has not been directly associated with intelligence activities, but veterans at the agency look forward to working for him because of his reputation as a forceful manager who is open to ideas and surrounds himself with top-flight aides.

Casey's first task will be to strengthen intelligence analysis, the agency's basic responsibility. At present there is no lack of qualified recruits. Applications for CIA jobs have reached record levels: in fiscal 1980, 9,200 men and women asked for posts, for which 1,458 were hired. In addition to new hands, Casey is expected to bring back some of the talented oldtimers who were ousted in successive housecleanings during the past few years. The current director, Admiral Stansfield Turner, downgraded the importance of human beings in intelligence gathering on the scene. Says a veteran intelligence officer: "His big mistake was becoming intoxicated with our technical proficiency. It is a great instrument, but only an instrument." The agency has been particularly short of analysts in the world's crisis areas: the Persian Gulf, Central America, Africa.

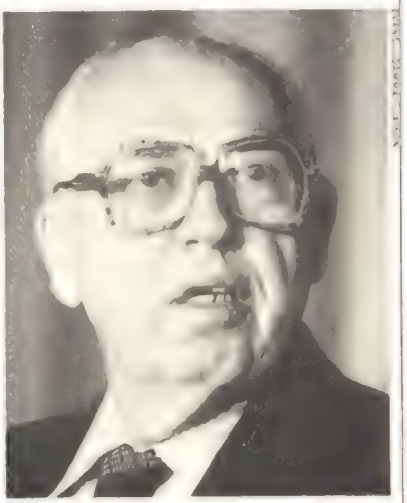
Another top priority for the new director is improving counterintelligence. Reagan's CIA transition team solicited advice on the subject from the agency's longtime counterintelligence master, James Angleton, who was fired in 1974 by Director William Colby. It is generally agreed that U.S. counterintelligence efforts have fallen off sharply in the six years that followed, enabling Soviet agents to operate more freely in the U.S.

Along with personnel and equipment, the CIA needs a boost in morale. In an agency of special sensitivity, Turner treated CIA officials much like swabbies on a deck detail. He eliminated 820 posts in the Directorate of Operations, dismissing veteran officers with curt notes. CIA subordinates reacted by circulating Gilbert and Sullivan parodies of their spit-and-polish director.

Too much in the spotlight for the past few years, the CIA hopes to recede at least partly into the shadows. By being so exposed to public scrutiny, it is vulnerable to its foreign enemies. Agency supporters hope the new Congress will pass a bill to exempt the CIA from the Freedom of Information Act, which has produced a flood of queries from outsiders, many of whom do not wish the CIA well. Says an intelligence agency official: "There's almost nothing that you can put on a piece of paper that isn't subject to disclosure. You just don't pass things on officially any more. You do it orally, over a cup of coffee."

Another bill to be introduced makes it a criminal offense for past or present CIA employees to release the names of agency officials. The repeated publishing of operatives' identities around the world by former CIA officer Philip Agee and others has crippled recruitment overseas and damaged relations with foreign intelligence services. "How the hell can you make an attractive offer to a guy if you can't guarantee you can protect him?" asks John Maury, the CIA's former chief of Soviet operations. "The real problem is to get high-level penetrations of foreign power centers. Oleg Penkovsky (a top-ranking Moscow defector who supplied the U.S. with information on Soviet weaponry in the early 1960s) is worth a hundred Ph.D.s." But Penkovskys are not going to approach a porous CIA.

Without returning to the freebooting days of old, the CIA needs to recover its self-confidence and sense of purpose. The prospects for that look better than they have in some years. —*By Edwin Warner. Reported by Don Sider/Washington*



William Casey, Reagan's choice as director

Time to recede into the shadows?

Now, a "Two-Casket" Argument

A bizarre new Kennedy assassination conspiracy theory

Millions of Americans will never forget the mournful scene on their TV screens on the night of Nov. 22, 1963: the polished bronze casket glistening in the floodlights at Andrews Air Force Base as it was taken from Air Force One and put aboard the gray Navy ambulance that was to take it, Jacqueline Kennedy and Robert Kennedy to the Bethesda Naval Hospital. Then, 45 minutes later, other cameras caught the arrival of the car at the hospital's front entrance, and followed the grieving wife and brother as they entered the building where the official autopsy on the body of the murdered John F. Kennedy was to be performed.

Two Navy men at Bethesda had special reasons for remembering the scene. As Technician Jerrol F. Custer passed near Mrs. Kennedy in the lobby, he was carrying X-ray films of her husband's body that had already been taken in the hospital's morgue. Looking down on the lobby from a second-floor balcony, Chief Hospital Corpsman Dennis David knew the bronze casket was empty; about 15 minutes earlier, he had watched a black, unmarked hearse arrive through a gate at the back of the hospital and ordered some sailors to help men in civilian clothes carry a plain gray casket into the morgue. "You could see the strain" on the seven or eight men holding it, he recalled. "There was obviously something in it."

Two caskets? Two vehicles? A quiet arrival at the back gate while crowds and cameras focused on the front entrance? In all the assassination probes, including the 26 volumes of evidence compiled by the Warren Commission, there had never been even a hint of deceptive handling of the President's body. But David S. Lifton, 41, one of the most persistent of the unofficial assassination researchers, not only has a "two-casket" argument; in *Best Evidence*, a meticulously researched, 700-page book to be published this month by Macmillan, he parts with previous conspiracy theorists by proposing a startlingly different idea of what really happened.

Lifton, a freelance writer who was once a computer engineer with the Apollo space program, first began studying the assassination some 15 years ago when he was a graduate student in physics at U.C.L.A. In his research, he concluded that neither the FBI, nor the Warren Commission, nor the doctors who first viewed Kennedy's body at Parkland Memorial Hospital in Dallas, nor the surgeons who performed the autopsy at Bethesda lied about the events of Nov. 22. But he did find that as officials concentrated on what they considered "the best evidence" they had on the crime—Kennedy's wounds—they presented clashing views. Why? Because, Lifton contends, the corpse in fact was altered between the time it was taken from Parkland on the afternoon of the murder and was X-rayed and photographed that same night at Bethesda and then opened during the autopsy.

To support this claim, Lifton spins out a narrative that sounds more fanciful than the wildest plot-against-the-President suspense novel. In Lifton's view, Lee Harvey Oswald was framed by assassination plotters, who not only placed his rifle on the Texas School Book Depository's sixth floor but also planted two fragments of bullets in the Kennedy limousine and the celebrated "pristine" bullet "399" on a stretcher at Parkland Hospital. Following their plan, the conspirators got control of the body after it left Dallas long enough to retrieve the actual lethal bullets; these, Lifton says, were fired from the front of the motorcade in Dealey Plaza, not from the book depository behind the presidential convertible. The schemers, Lifton continues, enlarged Kennedy's head wound to conceal evidence that he had been shot from the front; they added two back wounds, which had not been seen by some 13 nurses and doctors handling the body at Parkland. Yes, writes Lifton, this had to be a plot "involving the Executive Branch of the Government" and including at least the Secret Service, which had control of the body and all medical evidence on the fateful weekend.

Preposterous? Absolutely. Yet there is virtually no factual claim in Lifton's book that is not supported by the public record or his own interviews, many of them with the lowly hospital and military bystanders whom official probes had overlooked. Even the reader who does not accept *Best Evidence's* sensational conclusions—and there is no logical reason for doing so—is likely to admit that Lifton has turned up intriguing new evidence of some strange doings with Kennedy's body in the twelve hours following the shooting.

The reports by the Bethesda corpsmen, Custer and David, placed the time at which Kennedy's body was first delivered to the morgue at about 6:45 p.m. When the plain "shipping casket," as some witnesses called the coffin that arrived then, was opened, Kennedy's corpse was in a rubber body bag. Paul K. O'Connor, a Navy technician who helped lift the body onto the autopsy table, Floyd Reibe, a Navy photographer's assistant, and Captain John Stover, commanding officer of the medical school at Bethesda, all confirmed this to Lifton.

Robert and Jacqueline Kennedy at Andrews with bronze coffin

But was the body actually spirited out another exit?

That was puzzling because records indicated that the body had been wrapped in a sheet when it left Dallas. Also peculiar was the odyssey of the bronze casket Lifton tracked down all seven members of a military honor guard assigned to meet the coffin at Bethesda. As they watched the motorcade arrive at the front entrance and awaited orders, the gray Navy ambulance carrying the casket sat virtually unattended. Then at 7:05 p.m., Lifton relates, the ambulance suddenly took off at high speed. The honor guard tried to follow in a pickup truck but lost it. Seaman Hubert Clark recalls himself and his mates wondering "where in the hell" the ambulance had gone

About 7:10 p.m., according to a report filed by two FBI agents, a gray Navy ambulance arrived at the rear loading dock near the hospital's morgue. The agents, James Sibert and Francis O'Neill, helped move the bronze casket from it to the morgue. But at the entrance, they were briefly stopped by the Secret Service; Lifton says the agents were stalled so they would not discover that Kennedy's body was already in the morgue.

At 8 p.m., the honor guard members finally found the ambulance at the rear loading platform. The bronze casket was back in the vehicle and they helped carry this casket into an anteroom outside

the morgue. On this second entrance into the hospital, says Lifton, Kennedy's body was back in the casket. Lifton found several witnesses, including Hospital Corpsman James Metzler, who saw the casket opened in the autopsy room at this time —and now the corpse was wrapped in a sheet, just as it had left Dallas.

But if Lifton has this triple entry of caskets (once by the gray casket and twice by the bronze) well documented, he admits to puzzlement at how the body got out of the morgue after its first entry, to rejoin the bronze coffin in which it had left Dallas. The report by the two FBI agents, which was never seen by the Warren Commission staff but had been sent directly to the National Archives, gave Lifton one clue. At one point, they wrote, "all personnel with the exception of medical officers needed in the taking of photographs and X rays were requested to leave the autopsy room and remain in an adjacent room." At this time, argues Lifton, the body was put back into the bronze casket and rolled through a hallway to be placed back in the ambulance—all while the honor guard was trying to find it.

Lifton has no hard evidence to support this method of reuniting body and bronze coffin. But O'Connor did tell him that there was talk at the hospital afterward of a casket being rushed through the halls. Also several witnesses reported that the bronze coffin appeared damaged, including a broken handle, when it was carried into the morgue by the honor guard. Did this happen in the rush to get it back aboard the ambulance? Lifton absolves the Navy doctors conducting the autopsy of any involvement. He implies that either their military superiors or a number of unidentified civilians present at the autopsy were directing the movements of the body.

But even if all that were true, what evidence was there that the body had been altered? Lifton cites a previously unnoticed line in the same Sibert-O'Neill FBI report. These agents saw the start of the autopsy and noted that "surgery of the head area, namely, in the top of the skull," had been performed. Actually, no skull surgery had been done by the Dallas doctors who fought to save Kennedy's life. When he found the agents' reference, Lifton writes, "I was exhilarated, terrified ... I had stumbled into a house of horrors."

Lifton telephoned Sibert for an explanation, but was told he had to write to FBI headquarters. He finally received a letter saying that the agents got their information about the surgery from oral statements made by the autopsy doctors during the examination.

Later, in discussing the autopsy with Technician O'Connor, Lifton was told that on arrival at the morgue, Kennedy's brain was not in the skull. "The cranium was empty," O'Connor said. But the brain was not removed in Dallas. Lifton found other witnesses who saw a small object wrapped in a sheet being moved through the hospital halls on a cart. When asked what it was, the cart handler said it was a stillborn baby. Lifton found that Bethesda records showed no stillbirths that day. His remarkable conjecture: Kennedy's brain was on the cart, to be rejoined with the body for the autopsy.

Lifton further notes that Commander James Humes, the chief pathologist at the autopsy, reported that when he later removed the damaged brain from the skull, he found that none of the normal surgery procedures was needed to cut it loose. Lifton's theory: the brain had been removed earlier by the plotters to retrieve any bullet fragments that would signify shots from other than Oswald's rifle.

Lifton dwells at length on the anatomical differences as viewed through what he terms "three lenses": 1) the Parkland doctors and nurses; 2) the Bethesda doctors; 3) the autopsy photographs and X rays. Those differences are a matter of public record. Official investigators have resolved them by considering the X rays and photographs the "best evidence" of how the body had been mortally injured. Lifton contends, with substantial evidence, that the skull was so shattered that parts of it fell apart at the autopsy. He argues that some photos and X rays were taken when the skull was literally "reconstructed" to produce the plotters' desired effect. Contrary photos, he claims, were in one case deliberately destroyed by a Secret Service agent, while others known to be taken did not appear in the final collection at the Archives.

The Dallas doctors found a 2-in. by 2¾-in. wound at the right rear of Kennedy's head. They saw a small wound in the throat, where they made a tracheotomy incision of, at most, 3 cm in length. They saw no wounds on the back. At first they concluded Kennedy had been shot from the front. The Bethesda doctors found a head wound that was much larger —more than five inches in its longest dimension—and extending more to the top and front of the skull than that seen at Dallas. They measured a throat incision up to 8 cm long. Unlike the Dallas doctors, they discovered a small, round "entry" wound at the bottom of the back of the head. They detected another shallow rear wound well below the collar line. After much discussion, they reported that Kennedy apparently had been shot twice from the rear, one bullet going into his neck and exiting at his throat.

Author David Lifton

Cart in Bethesda hallway during autopsy

Did it carry a stillborn baby, or a brain?

Lifton has great difficulty pinpointing when Kennedy's body could have been spirited away for the removal of bullets and the addition of the two rear "wounds." He found only one point in the public record when no one was reported in attendance at the bronze casket between the time it left Parkland and arrived at Andrews Air Force Base. That was between 2:18 and 2:32 p.m., when General Godfrey McHugh, Kennedy's military aide, was angered by a delay in the takeoff of Air Force One from Dallas' Love Field and had gone forward to argue with the pilot. During these 14 minutes, Lifton conjectures, someone took the body out of its casket and hid it on the plane.

After landing at Andrews, Lifton theorizes, the body was slipped out a door on the plane's right side while TV cameras were recording the unloading of the bronze casket on the left. An Army helicopter departed at about that same moment from Air Force One's right side. Lifton believes that Kennedy's body went with it, probably on a five-minute ride to the Army's Walter Reed Hospital, then by helicopter to Bethesda, getting there ahead of the Kennedy motorcade. Such a trip would have allowed someone up to 30 minutes to work on the body.

Lifton does not speculate about why anyone in the Government would want to kill Kennedy. Nor does he explain why, if Oswald were innocent, he shot a policeman while apparently fleeing Dallas shortly after the assassination. Lifton quotes Wesley Liebeler, a Warren Commission staff attorney who had at first been sympathetic to much of the author's efforts, as warning about his book. "Well, I don't think that anybody will ever believe anything you say." In fact, some people are always ready to believe most anything about the assassination. But Lifton's novel theory, both grim and fascinating as a mystery story, is all but impossible to accept as reality.

—By Ed Magnuson

"Gonna Be in a World of Trouble"

Water shortages plague much of the U.S.

Across the Colorado Rockies there has been no major snowfall since late November, and the once bustling ski resort at Breckenridge was closed down on Dec. 29. In New York City restaurant patrons must now ask for glasses of water—a conservation measure last applied in 1963. In Lambertville, N.J., homeowners are being urged to use toilets three or four times before flushing. Throughout the Midwest, farm land that was left parched and crumbly by 90° to 100° temperatures last summer remains arid because so little snow has fallen on the Plains states. Laments Bob Swanson of the Minnesota department of agriculture: "This is the dryest winter since 1883."

Indeed, over the past few months a dry spell has plagued much of the U.S.; if heavy snows and drenching rains do not hit before summer, a drought of near biblical proportions could affect some areas. Much of the dryness stems from the far-below-average precipitation of last spring and summer, which has continued. So far, 1981 has begun no more promisingly. In the West, a ridge of high pressure has hovered nearly 800 miles off the California coast for the past two months, blocking the usual flow of moist air from the Pacific and keeping the area dryer (and warmer) than usual. Meanwhile, the jet stream that moves eastward across the continent and down from Canada is bringing dryer (and colder) air than usual to the northeastern U.S. The stream has not looped south far enough to sweep up warm air from the Gulf of Mexico, as it did during the relatively balmy winter of 1979-80.

Central and Southern California are receiving only 20% of normal rainfall, and the situation in Nevada, Utah, New Mexico and Arizona is about the same. In Colorado the snowpack is just half as deep as usual by now, and only the expensive snow-making machinery installed after the disastrously dry season of 1976-77 is salvaging a share of the state's ski business this year.

Many Midwestern farmers, still suffering from the crop losses caused by the summer drought, now gaze forlornly over their bare, frozen land. In Minnesota, where about 5 in. of snow should have fallen by now, only a light powder covers the earth. Says Ed Grady of the state's farm bureau: "Our concern is that the frost may penetrate the ground more deeply than it would with a snow cover," thus damaging crops planted this winter. "This is about as dry as I can remember," observes Eldon Merklin, an Oklahoma farmer who planted 1,200 acres of wheat last month. "I had to plant some of it twice after it died because of lack of moisture." Adds South Dakota Agriculture Secretary Rodger Pearson, who reckons that his state's farmers lost $600 million worth of crops in the summer drought: "If we do not receive some moisture in the spring, we're gonna be in a world of trouble."

The reservoirs of the Delaware River Basin supply parts of New York, New Jersey, Delaware and eastern Pennsylvania with water. With the system's three most important reservoirs now filled to only 32% capacity (75% is normal in winter), the Delaware River Basin Commission last week declared a "drought emergency" for the area; the Governors of the four states will meet in Trenton, N.J., this week to hammer out restrictions on water use. New Jersey officials, for example, are already considering closing certain industries that use great amounts of water, such as breweries, and they are looking into the feasibility of pumping water from old mines. Says DRBC Spokesman Dawes Thompson: "This is one of the worst, if not the worst shortages we have ever been in."

New York City gets 45% of its water from the Delaware Basin, and its other sources are also draining fast; the city's 18 reservoirs, usually at 80% of capacity at this time of year, are only 34% full, the lowest level since 1963. For the past two months, Mayor Edward Koch has been pushing voluntary conservation measures, but city officials now expect he will impose mandatory water rationing within the next few weeks.

The dry arctic air across the central and northeastern regions of the country that has sent temperatures plummeting to record lows over the past two weeks has not helped the shortage, for water evaporates more quickly in such weather. The nation's dryness also serves as a reminder of the country's profligate use of its water resources. During 1980, Americans used 235.5 billion gal. of fresh water every day. Nearly half of this amount, or 105.2 billion gal., was not replaced by snow or rainfall. To make up the difference, wells are now tapping underground reservoirs, some of which contain fossil water 25,000 years old; this is gradually depleting immense subterranean reserves like the Ogallala aquifer, which stretches nearly 160,000 sq. mi. beneath the Great Plains. Before long, the country may painfully learn the wisdom of one proverb that Benjamin Franklin included in his 1746 *Poor Richard's Almanack:* "We know not what the well is worth till it is dry." ■

Vanishing resource: an all but empty reservoir supplying New York City

Would-be skier in nearly snowless Vail, Colo.

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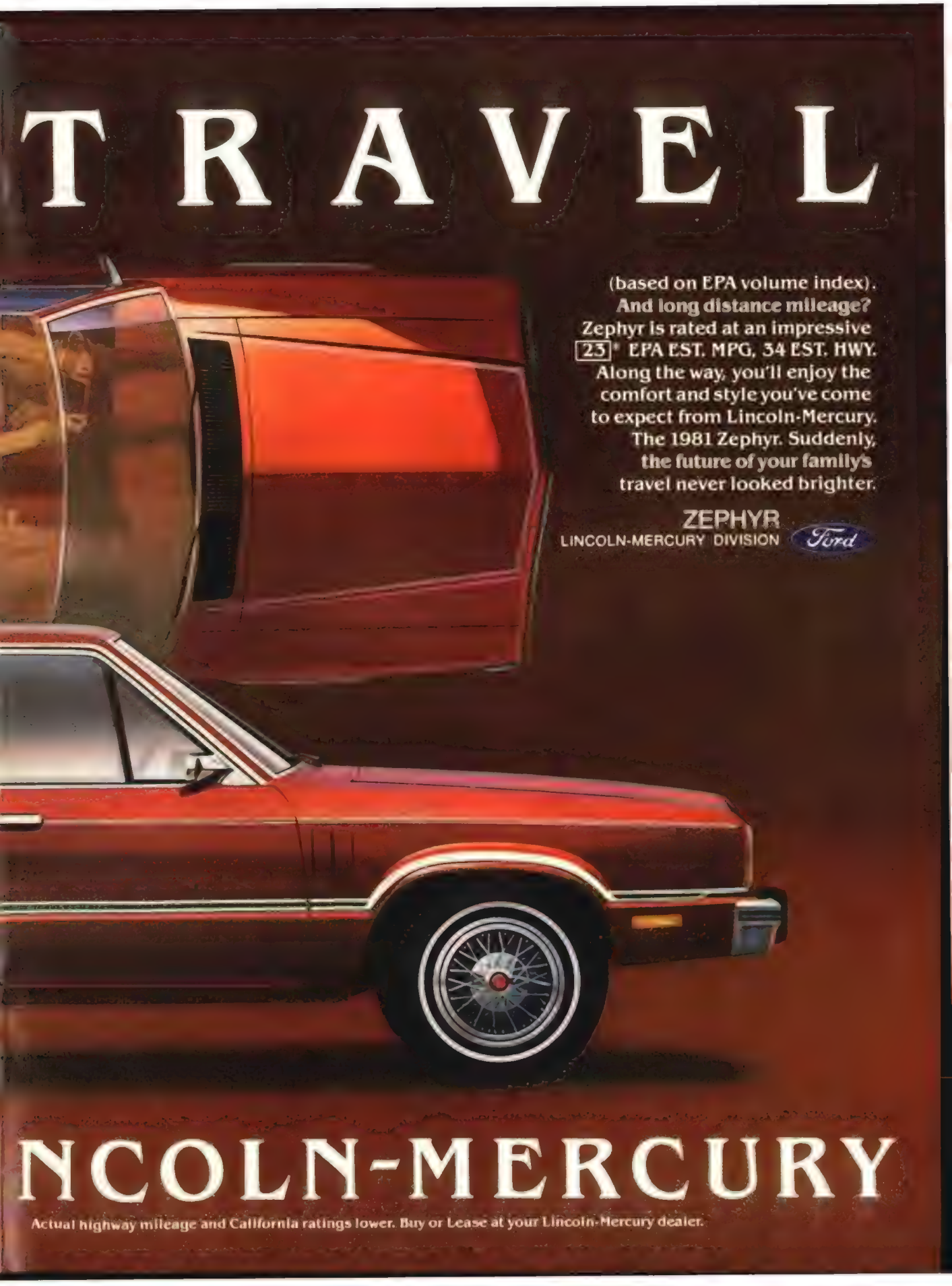
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George Barkouras stands in the center of a maze used in therapy at his school

"A Kind of Witch Hunt"

Sex and psychology in Oklahoma City

The ornate lobby of the Skirvin Plaza Hotel is jammed with ranchers wearing sweat-stained Stetsons, scuffed boots and $500 pinstripe suits. On the lawn of the nearby state capitol, black rocker arms pump oil from deep within the earth. This is Oklahoma City (pop. 378,000), an amalgam of cowboys and oilmen, of good-ole-boy morality and Bible-thumping religion. Adultery and homosexuality are still on the statute books as illegal; so too is public drinking.

But for several years, Oklahoma City's residents have been both horrified and titillated by a scandal that involves money, politics, sex and revenge—and some of Oklahoma's most prominent citizens, politicians and psychologists. As one participant observed to a friend, "It's better than *Soap* or *Dallas*. Who could have ever thought this one up?" Who, indeed.

At the center of the storm is bushy-browed, Greek-born George Barkouras, 43, who arrived in the city in 1971 with $1,000 and a Ph.D. in philosophy from the University of Kiel in West Germany. He joined his cousin Psychiatrist Marcus Barker at the Oklahoma City Psychiatric Clinic. Six months of on-the-job training enabled Barkouras, a compelling personality, to attract patients from a colleague, Richard Sternlof. Sternlof resigned and opened his own clinic, the Timberridge Institute.

Within a few years, Barkouras, smartly turned out in well-cut European suits, was *de facto* head of the clinic and was earning $250,000 a year. His patients included members of Oklahoma City's most powerful and socially elite families. He and his German-born wife Marga lived in a $200,000 modern house, drove Cadillacs and maintained a summer retreat in Loutraki, a Greek resort city.

But Barkouras had ambitions to transform psychoanalytic theory. He developed a set of theories that castigate Freud's approach as too narrow to account for human behavior. The Barkouras doctrine integrates some Freudian concepts with ideas from philosophers like Plato and Heidegger. Two samples of Barkouras' insights: "Man is the eventfulness of life" and "Neurosis is attractive but health is irresistible." According to Barkouras, many mental patients are not ill, only confused. In 1976, at a convention of the Oklahoma State Psychological Association, some 1,000 professionals assembled to hear his theories, which were hailed by then Governor David Boren in a letter to the society. Said Boren: "For the first time, Oklahoma is making a significant contribution of worldwide importance in the realm of social sciences." Barkouras' opponents in the audience booed.

For a time, Barkouras continued to build his empire. He organized a foundation "dedicated to the enrichment of human life," which included a school for exceptional children, financed in part by contributions from rich patrons. At the school he set up a maze that was used in play therapy with children. He wrote books, gave lectures and enrolled Ph.D. candidates as students.

Then, some of Oklahoma City's mainstream psychologists counterattacked. Sternlof complained to the State Board of Examiners that Barkouras was practicing psychology without a license. Barkouras' successful defense: he was a lay analyst and needed no license.

What caused the Barkouras empire to begin unraveling was a series of messy divorces. First, a colleague, Robert Phillips, was divorced in 1977 by his wife Wilma, who charged that he had forced her to attend sessions with Barkouras in an effort to "destroy her personal identity." Next, Marga divorced Barkouras on grounds of incompatibility. Her lawyer, George Miskovsky, referred to Barkouras in court as "a big, strong stud lay analyst." Finally, in a quieter proceeding, Kay Delaporte, a patient of Barkouras' and a teacher at his school, sued her husband Chris, an administrator in the U.S. Interior Department, for divorce, charging that he was a homosexual. He complained that Barkouras was behind the action.

As a result, Barkouras claims, he acquired a powerful enemy. Chris Delaporte, who has been involved in Oklahoma politics for eight years, helped get his friend Larry Patton named U.S. Attorney for the Western District of Oklahoma in 1977. Another friend of Delaporte's is Boren, who was elected a U.S. Senator in 1978.

When a fire caused $185,000 damage to Sternlof's Timberridge Institute in 1979, Patton asked a grand jury to investigate. A juror told TIME: "They said Barkouras was the Jim Jones of the Oklahoma City jet set. I never really knew what they were trying to get him on. Our grand jury was on a kind of witch hunt." The jury decided that no indictment of Barkouras, or anyone else, was warranted.

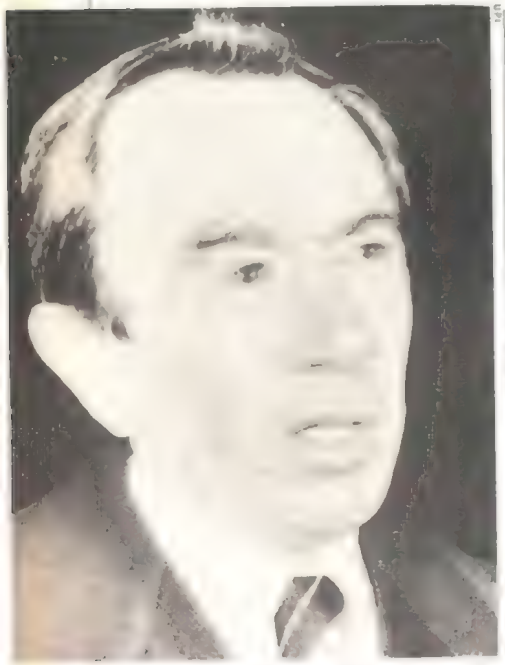
In an effort to stop the "witch hunt," Barkouras last February told the Rev. Gene Garrison, a Baptist minister and close friend of Boren's, that he was prepared to expose Delaporte and Boren as homosexuals. In Boren's case, it was an old charge—and one that he denied during his Senate campaign by publicly swearing, on a white-bound Bible, that he was heterosexual. Barkouras took no further action, but a few weeks later Jack Anthony, 28, an heir to an Oklahoma department-store fortune and a student of Barkouras', was arrested at 4 a.m. while changing a wiretap connected to Sternlof's home phone. Soon afterward, traveling in seven cars, 14 FBI agents went to Barkouras' foundation to seize records. At a preliminary hearing an assistant to Patton shouted, "Anthony is the pawn of Barkouras!" The jury found Anthony guilty of wiretapping. At the sentencing, Judge Lee West compared the feud between Barkouras and his critics to a street-gang rumble. The Justice Department and FBI are now investigating whether officials may have gone too far in their search for evidence against Barkouras.

Meanwhile, all lay analysts have been barred by the state legislature from practicing in Oklahoma. Observes Miskovsky, Marga Barkouras' attorney: "Football, politics, oil and sex are all considered sports in Oklahoma. Barkouras gave people something to talk about because he was playing in all of them. Except football." —*By Ellie McGrath. Reported by Jonathan Beaty / Oklahoma City*

HOSTAGES

Wheeling and Dealing

Christopher rushes to Algiers—again—as the U.S. bids for the captives



Christopher: clarifying the U.S. case

Once more the pace quickened. After eight weeks of stop-and-start negotiations for the freedom of the 52 U.S. hostages, a flurry of activity in Tehran, Washington and Algiers raised hopes last week that a possible settlement might at last be imminent. Or was it? The nation's very capacity for optimism seemed to have been blunted by 14 months of watching the cruel pendulum swing between hope and disappointment.

A rapid-fire exchange of messages volleyed between the capitals. Tantalizing public statements from Iranian leaders suggested that a secret Algerian plan could provide a solution to the crisis. As suspense mounted, Deputy Secretary of State Warren Christopher flew to Algiers to explain the U.S. position to the Algerian officials who are serving as diplomatic intermediaries between the U.S. and Iran. Said Christopher: "The process is continuing, and the distance between us, which is still measured in very large numbers, seems to be narrowing somewhat. I emphasize seems to be."

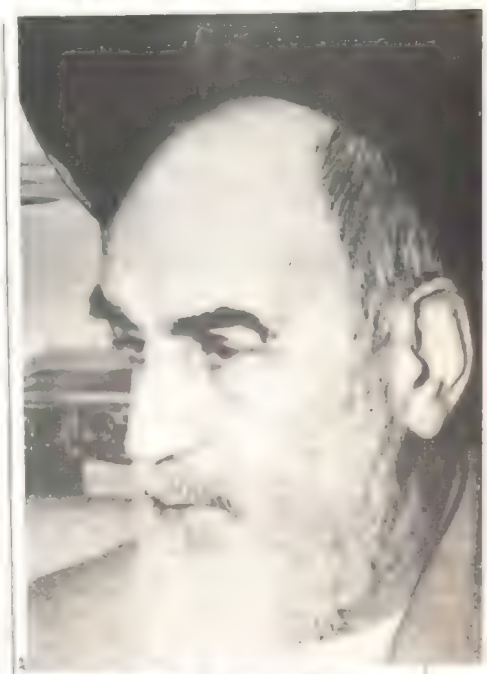
His caution was understandable. Only two weeks earlier, Tehran had appeared to close off discussion altogether with its stunning "final" demand for a $24 billion "guarantee" in exchange for the American captives. Washington had countered with a proposal that offered to place as much as $7 billion in U.S.-held Iranian assets into an escrow account, to be transferred to Tehran upon the release of the hostages. The Algerian go-betweens had carried the U.S. proposal to Tehran on Jan. 2—along with a pointed reminder that time was running out for the Carter Administration. It was hoped that Tehran's reluctance to deal with the tougher-sounding Reagan Administration might prompt a rapid response.

Reagan then did some prodding of his own by indicating that he might attempt a different, unspecified tack if the crisis was not resolved by the time he takes office on Jan. 20. Though he said he would probably support a Carter-negotiated settlement, the President-elect would not commit himself absolutely. Said Reagan: "I don't think anyone should be asked to sign a blank check."

Even before Reagan's statement, Tehran seemed eager to speed up the negotiations. On Tuesday an Iranian message clattered into the teletypes of the State Department's operations center. Christopher hastily called in the six-man hostage negotiating group he heads to discuss the latest communication: a series of about 15 questions concerning "the procedures and mechanics" of the U.S. proposal. After more than four hours of deliberation, the U.S. team dispatched its reply to Algiers for relay to Tehran.

But when the message arrived at the Foreign Ministry in Algiers, the Algerians held it up. Washington was told that its answers were inadequate—at least in part because they were incomprehensible to the Algerians. After conferring with President Carter at the White House on Wednesday afternoon, Christopher decided to fly to Algiers with three other U.S. negotiators. On arrival at Dar el Beida Airport, Christopher was driven to a two-hour meeting with Algerian Foreign Minister Mohammed Ben Yahia. Meanwhile, a second set of Iranian questions arrived in Washington, prompting Christopher to extend his stay in Algiers.

Despite the snag that had arisen, Washington officials remained encouraged by the tone of the Iranian questions, which suggested that Tehran might at least be seriously considering the U.S. terms. Explained an official familiar with the minuet of the negotiations: "They were asking us, 'If what you propose were to take place, how would it be done and what would happen next?' They engaged our proposals."



Khomeini: blessing the Algerians' role

In Tehran, meanwhile, Iranian leaders seemed almost to be parading a series of highly ambiguous public statements about a mysterious Algerian plan. First, Prime Minister Mohammed Ali Raja'i announced that Revolutionary Leader Ayatullah Ruhollah Khomeini had approved Algerian efforts to resolve the hostage issue. Said Raja'i: "We explained the Algerian proposal, which has suggested that it will guarantee to solve our problem with the United States, and the Imam permitted us to accept these guarantees." But Raja'i made no attempt to explain what those guarantees were.

Then Iran's chief hostage negotiator, Behzad Nabavi, compounded the confusion at a much ballyhooed press conference. Declared Nabavi: "The Algerian government has said in its proposal that it is ready to accept the undertakings of both sides." He refused to be specific about the content of the Algerian plan, but indicated that it "has been considered and discussed and has generally been agreed to in principle." Just what the Algerian suggestion was all about remained a mystery. The very existence of an indepen-

dent Algerian "plan" was vehemently denied by both Algerian diplomats and State Department officials. While conceding that the Algerians' role had grown with each exchange of proposals, State Department Spokesman John Trattner insisted that "their role does not make them guarantors."

Whatever it was, an intermediary Algerian role seemed important to the Iranian leaders, chiefly as a face-saving device for backing down from their extortionary demands. Said a senior Iranian diplomat in Tehran: "The mullahs' political capital is based on their anti-Americanism. Their problem is that they want both a hostage deal and a sure way to avoid loss of face. Thus the latest strategy for compromise with America is to maneuver Algeria into holding the can."

Compromise on both sides, in fact, had already produced broad agreement between Tehran and Washington in some areas, but numerous questions remained unresolved. Most of these boiled down to one word: money. A major sticking point concerned the return of $8 billion to $14 billion in frozen Iranian assets, much of which was encumbered by American claims and attachments. Another problem appeared to be the Iranians' insistence on a multibillion-dollar escrow account to guarantee the return of the late Shah's U.S.-held assets. Said an aide to Secretary of State Edmund Muskie: "That's really where it's hung. They are serious about it. But they have to understand that we are at the limit of our authority." Washington has long promised to help locate the Pahlavi assets in the U.S. and block their expatriation, but has no power to hand them over to Tehran unless Tehran can establish rightful ownership in U.S. courts.

While Americans were preoccupied with the hostages, the Iranians had much of their attention focused elsewhere. With considerable fanfare, Tehran announced it had launched a long-promised counteroffensive in the three-month-old war with Iraq. In Tehran tens of thousands of Iranians braved subfreezing temperatures to climb out on their rooftops to chant vast choruses of "God is great." They had been exhorted to do so by Tehran Radio following a triumphant message from President Abolhassan Banisadr, who was at the front, proclaiming the "unprecedented success" of the Iranian forces. In a series of ground and air attacks along a 500-mile front, mainly in the oil-producing Khuzistan province, the Iranians claimed to have killed more than 2,000 Iraqi soldiers and taken 3,000 prisoners. According to Tehran's claims, the heaviest fighting took place around Ahwaz and Susangerd, both of which had been under Iraqi siege for several weeks.

At midweek, foreign correspondents were summoned to Tehran's railway station to observe the arrival of about 500 Iraqi P.O.W.s from the southern battle zone. Each prisoner had his hands tied behind his back and a card around his neck bearing his name, rank and serial number. As a brass band blared out martial music, thousands of Iranians shouted anti-Iraqi epithets. Iranian officials claimed that the prisoners had been captured around Abadan, Ahwaz and Susangerd that week, but some may have been taken in earlier fighting.

While admitting there had been heavy fighting, the Iraqis played down the Iranian "victory" and played up their own. One communiqué from Baghdad put Iranian losses at 710 men in one 24-hour period. The Iraqis said they had lost only 40 of their own troops. In the central sector around the Iranian town of Gilan-e-Gharb, Baghdad claimed to have forced Iranian troops into chaotic retreat in two furious battles. Though claims on both sides were certainly exaggerated, Iran's avowed capacity for counterattack was being taken seriously for the first time since the war began. It remained to be seen whether that initiative could be sustained and intensified in order to turn the tide in Tehran's favor.

Iranian troops cover their ears as they fire a mortar at Iraqi positions

An Iranian soldier on the assault in Susangerd

Launching the promised counteroffensive

The timing of Iran's latest military moves owed as much to internal power struggles—and the hostage crisis—as to the war itself. As commander in chief of the armed forces, Banisadr had been blamed by his opponents in the clergy-dominated Islamic Republic Party for Iran's military setbacks. Thus by ordering last week's counteroffensive, he was able to silence their criticism at least for the time being. Even as they dutifully applauded the "success of the forces of Islam," however, the mullahs loudly demanded more "daring assaults." For the clerical hard-liners, in fact, the primary value of the new military campaign may have been to distract public attention from a possible deal over the hostages. Denouncing their blatant opportunism in the Tehran daily *Enghelab-e-Eslami*, Banisadr demanded, "How come the so-called uncompromising revolutionaries have staged an about-face and are now willing to seek a negotiated end to the hostage crisis?" It was a question the mullahs would rather leave unanswered—or at least out of the spotlight. —*By Thomas A. Sancton. Reported by William Stewart/Beirut and Gregory H. Wierzynski/Washington*

ISRAEL

One Crisis Too Many

An unlikely issue proves perilous for Begin's government

No one put it better than Prime Minister Menachem Begin. "We are not talking about teachers," he said after yet another acrimonious political showdown. "We are talking about the survival of the government." So indeed was everyone else in Israel last week, as Begin's tattered coalition hinged its fate on the outcome of a crucial Cabinet meeting that might well bring down his government.

The specific issue involved a proposed pay raise for the country's 65,000 schoolteachers. But what was really at stake was Begin's—and Israel's—political future. At week's end even Begin's associates acknowledged for the first time that a full-fledged government crisis leading to an early election appeared to be more likely than not.

Over the past 3½ years, the Begin government had survived seemingly more daunting challenges, including the resignations of its two most prominent personalities, Moshe Dayan as Foreign Minister in 1979 and Ezer Weizman as Defense Minister last spring. When Begin last November survived by a mere three votes a no-confidence motion in the Knesset on his handling of the economy, it was an indication to many that time was running out. Few expected a quarrel over teachers' salaries would be an issue that would provoke Cabinet ministers to threaten to quit if they did not get their way. But that is precisely what happened.

Begin was caught in a collision between two headstrong members of his government. On one side was Finance Minister Yigal Hurvitz, a tough administrator who has repeatedly threatened to resign and now stood adamantly opposed to any concession to the teachers. He argued that the proposed pay hikes would cost the government $2 billion over a period of 16 months and aggravate Israel's colossal annual inflation rate. That rate now stands at 140%, the highest in the world.

On the other side was Education Minister Zevulun Hammer, a rising figure in the National Religious Party, which is a major partner in Begin's four-party Likud coalition. Supporting the teachers, Hammer insisted that the government had already agreed to abide by the recommendations of a blue-ribbon committee that had taken up the teachers' demands after a strike two years ago. Besides improved fringe benefits, the committee had endorsed pay increases that ranged from 30% to 60%. The teachers presently earn an average of $200 a month. The panel recommended that their pay be upgraded to the level of engineers.

Both Hurvitz and Hammer said they would resign if the other triumphed in their Cabinet battle. Either way, it would signify almost certain doom for the Begin government. If Hurvitz walked out, two other members of his tiny Rafi Party and two or three other political allies would be expected to follow and thus reduce Begin's majority of 63 Knesset members to fewer than 60, not enough to survive a no-confidence motion. A Hammer walkout would be even more devastating, since he would be expected to take with him most or all of the twelve-member delegation of the National Religious Party. Another danger was the highly credible threat that if the decision went against them, the teachers would stage a nationwide strike.

DAVID RUBINGER

Prime Minister Begin in a weary moment in the Knesset

Rivals could scarcely conceal their delight.

Counterproposals flew back and forth in a supercharged atmosphere. Deputy Prime Minister Simcha Erlich, searching for a way out of the impasse, proposed that a three-man committee, composed of Begin, Hurvitz and Hammer, meet during the week to try to settle the issue. Begin nodded his assent. But Hurvitz refused to budge. "I don't see any reason to continue the discussions," he said. "I won't agree to giving anything extra to the teachers."

At the Cabinet table, Interior Minister Yosef Burg went on the attack. He had just survived a political row over his firing of the inspector-general of the police for insubordination and the consequent charges of corruption in his ministry. But that did not prevent him from taking careful aim at Hurvitz: "You want to resign from the government and are simply searching for a good excuse to do so."

Replied Hurvitz: "The government can't be so weak-kneed. We must be men. You are scared of the teachers."

"It's hard to face a million children out of school," responded Burg.

Said Hurvitz: "You are scared of facing issues."

Taunted Burg: "You are always threatening us with letters of resignation, but never writing them."

At that, Hurvitz grabbed a piece of paper and dashed off a brief sentence: "I hereby submit my resignation. Sincerely, Yigal Hurvitz." Hurvitz eventually calmed down and agreed to withdraw his resignation. But the crisis was simply postponed until another day. At a Sunday meeting that lasted for more than seven hours, the Cabinet voted to accept the committee report recommending pay hikes for teachers. As he had promised, Hurvitz resigned, and threatened to pull his two Rafi colleagues out of the coalition. The cabinet was to meet again on Monday, to decide whether it would submit a bill to the Knesset calling for early elections.

Aides described Begin as "saddened and tired" by the tense and prolonged confrontation. Ever since he took power in May 1977, Begin has made a virtual obsession of his determination to govern for at least a full four-year term without resigning or being forced to change his coalition. Ordinarily, the next election would have been scheduled for November of this year. Now few politicians believed that it could be held off that long. Even before Hurvitz quit, some of Begin's closest aides were quoted on Israeli radio last week as saying that the Prime Minister would step down if his government was further weakened by resignations. The spectacle of Begin reeling against the ropes was hardly lost on his political rivals. Since polls indicate that the Labor Party would win between 50 and 60 Knesset seats if elections were held now, its leaders scarcely disguised their delight at the prospect of an early vote. Labor Party Chief Shimon Peres abruptly called off a scheduled trip to the U.S. last week and helped prepare a parliamentary motion calling for dissolution of the Knesset—in case Begin should survive and do so himself. Labor's head

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counters said that they hoped to lure the votes of five or six defectors to give them the 61-vote majority needed to pass the motion in the Knesset.

Those defectors just might come from the National Religious Party, which has threatened before to bolt from Begin's coalition. The N.R.P. has been divided since December, when the attorney general announced that he intended to indict Religious Affairs Minister Aharon Abuhatzeira, one of its senior officials, on charges of accepting bribes to channel funds to religious institutions. Last week the tangled scandal threatened to engulf Interior Minister Burg as well.

Burg, who is Israel's principal negotiator in the Palestinian autonomy talks between Egypt and Israel, suddenly fired the inspector general of Israel's police force, Herzl Shafir, for insubordination. Burg accused Shafir of leaking false information about the Abuhatzeira investigation while

Education Minister Hammer

An indication that time was running out

the police were still trying to gather sufficient evidence to indict him. Shafir countercharged that Burg had suppressed a probe into his own ministry's improper channeling of funds meant for religious institutions. Burg eventually succeeded in defending his action before the Cabinet, but not before the unseemly internal quarrel had further discredited the Begin government.

The perception that Begin's government no longer has enough of a mandate to continue seemed to be spreading fast. A recent survey showed the Likud bloc winning only 20 or 21 of the 120 seats in the Knesset next time; another reported that fully 50.5% of the voters favor a change of government. Said Yehuda Ben-Meir, parliamentary whip of the disaffected N.R.P.: "We don't want to have a government for another eleven months that is based on nothing more solid than the shifting sands of the desert." *—By Marguerite Johnson. Reported by David Aikman and Robert Slater/Jerusalem*

"Yigal the Printer"

A stolid, jowly man whose face seems lugubriously appropriate to Israel's dire economic straits, Yigal Hurvitz, 62, who resigned as Finance Minister on Sunday, seems to thrive on political notoriety. Month after month, he had focused attention on himself in the Israeli Cabinet by challenging virtually every discretionary item of the government's planned 1981 budget. His goal: to pare public spending, hold unemployment to a tolerable 4½% to 5% and, somehow, simultaneously bring the annual 140% inflation rate down to double digits by the end of the year. Understandably, he was not always thanked for his tightfistedness. However, Hurvitz had won many of his economic battles with his colleagues with almost regular use of his most lethal political weapon: a credible threat to resign and take his tiny, three-man Rafi faction into opposition, which in turn could bring down the government.

The approach proved to be popular. His decision to hold firm on pay hikes for teachers, for instance, earned him the grudging admiration of many Israelis. In fact, he failed either to lower inflation or to cut the budget. Nevertheless, he topped political polls in the country as the best choice for Finance Minister. Often less appreciatively, his Cabinet colleagues jocularly referred to him as "Yigal the Printer" because of his policy of increasing the money supply as a means of keeping the economy moving. "I have not always enjoyed political support," says Hurvitz, adding wryly: "If I could have lowered the defense budget—even to the level of NATO say—I would have been king."

Finance Minister Hurvitz

In fact, Israel's defense budget, which amounts to nearly 30% of the country's GNP, has traditionally been almost sacrosanct. Thus when Hurvitz tried to cut military spending by 10% to $2 billion for 1981, he provoked anguished howls not only from the defense community but also from Prime Minister Begin, who has uneasily held a second portfolio as acting Defense Minister ever since the resignation of Ezer Weizman last May. One result of Hurvitz's stand: Begin's Cabinet so far has been unable formally to vote on the entire 1981 budget at all. If it had acceded to Hurvitz, it would have angered the right and caused genuine security anxieties in the population as a whole. If it rejected Hurvitz, treasury officials clinically predicted that, at the present rate of increase, Israel's inflation could hit 300%—the sort of figure heretofore associated with the Weimar Republic.

Hurvitz's toughness and resilience reflect a spartan upbringing and an earlier career as a successful businessman. He is a first cousin of former Foreign Minister Moshe Dayan and, like him, grew up on a pioneering agricultural settlement at Nahalal near Haifa. After a wartime stint as an artilleryman in the British Army's Jewish Brigade, Hurvitz turned his hand to investment. He bought into a farm cooperative, moved on to one small dairy products company after another and demonstrated an unusual knack for turning unprofitable ventures into money earners. Says his brother Amos, a Knesset member of the opposition Labor Party: "I really don't know how Yigal came to this kind of thing. His major mistake as Finance Minister was to take the job in the first place."

Israelis, in fact, were all the more surprised by the choice when Begin named him Finance Minister because 13 months earlier Hurvitz had resigned his previous post as Minister of Commerce, Industry and Tourism in protest over the Camp David peace agreement. He made no apologies for his opposition to the accord, but Begin nevertheless brought him back as Israel's economic police chief, as it were. Hurvitz scored a notable success last April when he managed to seal a pact with Israel's major labor federation, the Histadrut, to set a graduated ceiling on wage claims until April 1982. Nevertheless, he worries about the government's chances of bringing inflation under control. Says he: "Inflation is like a cog and in Israel it's very well greased."

POLAND

Furor over a Five-Day Week

Solidarity defies the regime on the "Saturday issue"

In an effort to avert a collision with the government and stave off a possible Soviet military invasion, Lech Walesa, the leader of Poland's independent Solidarity unions, had called for a moratorium on strikes until mid-January. But last week, after scarcely more than a month of relative peace, the labor front heated up again. Renewed protests and strike threats showed that the union leadership is still unable to impose a uniform discipline on the vast and restive labor movement.

In the most ominous dispute, Solidarity's national commission passed a defiant resolution calling for a five-day week by declaring Saturday a nonworking day. Since most Poles are usually required to work a six-day week, this was a provocative departure. Several union locals, representing shipyard workers in Gdansk and Gdynia, coal miners in Silesia, and most of the 16,000 workers at the giant Ursus tractor factory outside Warsaw, threatened to force the demand by not showing up for work on Saturday. The Ministry of Labor, Wages and Social Affairs responded by instructing factory managers to dock the pay of workers who did not report on Saturday. In turn, Solidarity warned that "sanctions" against workers, specifically firings for Saturday absenteeism, could lead to strikes.

Positions seemed to be hardening on both sides. "Under the circumstances," said a Solidarity spokesman, "the government is no longer our partner, but our opponent." For its part, in a televised commentary, the government raised the level of its own confrontational rhetoric by denouncing wildcat labor actions as "displays of noisy anarchy."

The "Saturday crisis" grew out of the Gdansk and Jastrzebie agreements that ended last summer's widespread strikes, in which the government agreed to end all Saturday work. At the end of last month, however, the government cited the country's deepening economic crisis and announced that for the time being it could not give all workers all Saturdays off. Instead, the government said that it hoped to increase gradually the present number of free Saturdays (there were 14 in 1980) until 1985, when the five-day week would become generalized. As a start, the government would nearly double the number of free Saturdays this year. But that was not enough for union militants intent on holding the government to the letter of its summer agreements.

Lech Walesa (center) with Solidarity delegates at Gdansk meeting

"Under the circumstances, the government is no longer our partner, but our opponent."

Walesa made one of his periodic trips to Warsaw to meet with Deputy Premier Mieczyslaw Jagielski to discuss not only the issue of the five-day week but also censorship disputes, including the right of Solidarity to publish its own newspaper and of theaters to screen a documentary about the summer strikes. The fact that Jagielski, the regime's top-ranking Deputy Premier, who had personally negotiated the Gdansk accord, had been suddenly called in to replace a lower-ranking official for the talks showed the seriousness of the new labor-government face-off. Walesa and Jagielski were closeted in the low, gray stone building of the Council of Ministers for six hours.

When Walesa returned to Gdansk to report to Solidarity's national commission during its two-day meeting, his account of the Warsaw talks was cautiously pessimistic. "They are trying to dismantle us quietly," he said. "We must realize that Solidarity is a thorn in the government's side." The Solidarity delegates, in accordance with the summer agreements, proclaimed their call for a five-day work week and warned against any attempt to compensate by wage reductions or loss of other holidays. The resolution did leave the government an out, however, by declaring that the union leadership would listen to "properly explained" government counterproposals for some limitation on the number of free Saturdays.

In a national television appearance, Jagielski offered a compromise: the government would grant workers every other Saturday off, or give them all Saturdays free but add half an hour to each working day, in effect, a five-day week of 8½-hour work days. Otherwise, Jagielski pleaded, the loss of Saturday work would cause another 9% drop in production, on top of 1980's economic woes. Thus, he said, he was appealing to "the patriotism of the people" to help out in this difficult time. Despite his entreaties, a large percentage of Poland's industrial work force did stay home last Saturday.

In other wildcat labor disputes, workers from 17 factories in and around Ustrzyki Dolne in southeast Poland staged a one-hour warning strike. The walkouts were in support of a sit-in at local government offices to protest police harassment of organizers for Solidarity and its peasant counterpart, Rural Solidarity. Meanwhile, in Jelenia Gora, in the southwest, workers announced a "strike alert" for next week unless a government team was dispatched to discuss their grievances, including a demand for the dismissal of a minister in charge of relations with the unions.

What was most worrisome to both national labor organizers and government officials was the continued presence of the 55 Soviet divisions that remain poised within striking distance of Poland. The Soviets, obviously, were still watching. Poland, said the Soviet journal *Kommunist* last week, was beset "by chaos in the national economy, by the irresponsible use of strikes and by cases of open anti-socialist activity by counterrevolutionary groups." Such statements clearly suggested that the threat of Soviet intervention was still very real, and that renewed labor disputes and strikes, demonstrating the continued inability of the government and the unions to find a basis for cooperation, may yet give the Soviets the excuse they need to intervene. *—By Sara C. Medina. Reported by Barry Kalb/West Berlin*

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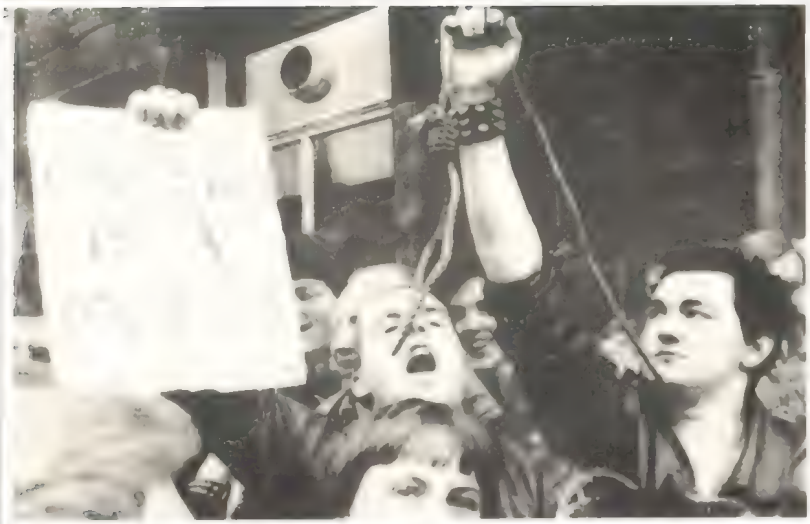


Enraged crowd demonstrates outside court while suspect is charged with murder

BRITAIN

"Hang Him!"

Ripper suspect controversy

In the South Yorkshire city of Sheffield on Jan. 2, two vice squad officers were making a routine night check in the red-light district when they came across a parked car with a couple huddled inside. Running a computer search on the car's license plates, the officers discovered that the tags had been reported stolen. The police quietly arrested the driver, whose name was Peter Sutcliffe, 35, a truck driver from the West Yorkshire mill town of Bradford. Three days later, nearly all of Britain knew of Sutcliffe: he was widely —some said recklessly—suspected of being the country's most notorious criminal, the Yorkshire Ripper, the man believed responsible for murdering 13 Yorkshire and Lancashire women since 1975.

West Yorkshire police eagerly announced that Sutcliffe's arrest meant that they were finally "scaling down" their search for the Ripper. The five-year man hunt has cost more than $8 million and included the questioning of some 300,000 persons, one of whom was Sutcliffe in 1977. Like the infamous "Jack the Ripper" of 1888, the Yorkshire slayer earned his nickname by murdering and mutilating female victims. "Jack," however, apparently stopped at five victims, less than half of the deadly baker's dozen attributed to the Yorkshire Ripper. Another difference is that, unlike Jack the Ripper's victims, who were all prostitutes, four of the Yorkshire killer's victims were respectable young women.

Police would not confirm whether Sutcliffe confessed to any of the deaths. Reports circulated that they had found incriminating evidence after his arrest: a hammer and knife, similar to the Ripper's grisly tools, lying where Sutcliffe's car had been parked. At a press conference, West Yorkshire Chief Constable Ronald Gregory gave every indication that the Ripper and Sutcliffe were one. "We are absolutely delighted with the developments at this stage," he said. Last week Sutcliffe was charged with the murder in November of Leeds Coed Jacqueline Hill, presumed to be the 13th Ripper victim.

The bearded long-distance hauler was described by neighbors as soft-spoken, reserved and devoted to his wife Sonia, a sometime teacher of handicrafts. His boss called him a "very sensitive man, and if anybody said anything sharp to him, his eyes would fill with tears." For much of the British public, however, there was little doubt that the police had finally caught their man. Outside the magistrate's court in industrial Dewsbury where Sutcliffe was charged, a mob of 1,000 hurled obscenities and shouted "Hang him! Hang him!"

The initial police and press reaction to the arrest drew criticism from some British legal experts mindful of the country's rigid contempt laws, which limit pretrial publicity. While Establishment dailies such as the London *Times* and the *Guardian* cautiously avoided any reference to the Ripper in reporting the story, other newspapers, including the *Daily Mail* and the *Daily Express*, did not hesitate to underscore the suspected connection for their readers. Britain's Solicitor General, Sir Ian Percival, in a general warning to the nation's editors, intimated that they might be liable to prosecution if their stories impeded a fair trial for Sutcliffe.

In the red-light districts of the North Country, however, a palpable sense of relief took precedence over considerations about the letter of the law. Said a streetwalker in Manchester: "It's incredible how much the atmosphere has changed. I don't have to keep looking over my shoulder all the time." ■

CHAD

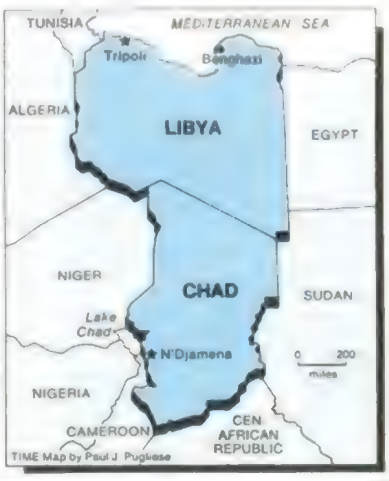
Shotgun Union

Gaddafi's takeover stirs fear

In his vaunted ambition to establish a Saharan Islamic empire, Libyan Strongman Muammar Gaddafi has searched hard for a suitable first partner. In the eleven years since coming to power, he has at various times tried to woo Egypt, the Sudan, Syria and Tunisia into joining him in a "federation," "union" or "merger," all without any tangible success.

Thus the announcement last week that Libya would "merge" with its southern neighbor Chad would have been laughable were it not for one formidable difference: a Libyan military occupation already in effect. Since early December Gaddafi has had some 5,000 members of his "Islamic Legions" inside Chad. Backed by artillery, tanks and air cover, the Libyan troops had broken the stalemate in the country's nine-month-old civil war by helping President Goukouni Oueddei to defeat his rival, Defense Minister Hissène Habre. The proposed Libya-Chad merger thus appeared less a union between consenting sovereign nations than an outright Libyan annexation of the impoverished, landlocked country of 4.5 million. Chad is an ideal launching position for his expansionist dream of a Saharan empire that would stretch from the Atlantic to the Red Sea.

Understandably, reaction from African nations who fear that they could be the next gleam in the Libyan leader's eye was swift. Said Gabon President Omar Bongo: "This annexation attempt creates a very serious situation." Egypt's Anwar Sadat and the Sudan's Gafaar Nimeiri expressed comparable concern. Within the Chad capital of N'Djamena, where months of internecine combat have left the city ravaged, there was incredulity. Said Abdelkader Kamougue, Vice President of Chad's transitional government legitimized by the 1979 Lagos agree-



Libya's Gaddafi at a military parade in Tripoli

Dream of a Saharan Islamic empire.

ment: "It's an impossible marriage."

Perhaps no country was more surprised and upset by the Libya-Chad agreement than France, Chad's former colonial ruler and self-proclaimed postcolonial "protector." Until last May, France regularly backed Chad with financial and military aid, and it privately supported Habré's losing side in the civil war. Thus the mood in Paris now was one of embarrassment as well as consternation. As it happened, the announced merger came only a day after Libyan officials revealed that they had signed a long-term contract with Elf Aquitaine, France's state-controlled oil company, for exploration rights covering about 6,000 sq. mi. of Libya's oilfields. It was obviously a strange thing for France to do: strike an oil deal with hostile Libya at the very time that it was encroaching on friendly Chad?

The French government quickly tried to limit the political damage caused by the discovery of its ambiguous policy. Industry Minister André Giraud immediately took action to cancel the oil contract with Libya. Foreign Ministry officials were dispatched from Paris to reassure other French-speaking nations such as Niger, Senegal and the Ivory Coast that France was prepared to bolster their defenses. Said French Foreign Minister Jean François-Poncet: "France will, as it always has, stand by its African friends to defend their security."

During the civil war in Chad, the government of President Valéry Giscard d'Estaing had been unable or unwilling to offer sufficient resistance to the Libyan invasion. Now it has also become evident that France's traditional role as benefactor of its French-speaking African allies was in jeopardy and that its foreign policy was in some disarray. Indeed, the zigzagging nature of France's policy toward Libya prompted *Le Quotidien de Paris* to conclude that the Giscard government had become "Carterized." ■

EL SALVADOR

Sudden Death over Dinner

Two more Americans are gunned down, and another is missing

It was a particularly festive night in the 288-room Sheraton Hotel in the hills behind San Salvador. The hotel's new roller disco was crammed with teen-agers, many of them students from U.S. schools home for the holidays. In the Izalco Supper Club, older couples danced to an eleven-piece orchestra. Across the hallway, in the Salon Centro America dining room, three men chatted earnestly over coffee. Without warning, two well-dressed men stepped into the nearly deserted restaurant, pulled out automatic pistols and sprayed the three diners with 9-mm and .45-cal. gunfire, hitting them in the chests and heads. Moments later, they tucked their pistols into the waistbands of their trousers and calmly strode through the crowded hotel lobby and out into the warm night air.

Once again the gruesome internecine warfare that claimed 10,000 deaths last year had taken a toll in American lives. Killed in the massacre were José Rodolfo Viera, president of El Salvador's Institute for Agrarian Transformation, and two U.S. labor lawyers, Michael P. Hammer and Mark David Pearlman. Hammer, 42, an agrarian expert who had arrived in the capital the day he was killed, and Pearlman, 26, a former Peace Corps volunteer in the Philippines, were both employees of the American Institute for Free Labor Development, an international arm of the AFL-CIO. The organization has been under contract to El Salvador to provide technical assistance for the country's major land-reform effort.

Last week it appeared that the violence may have claimed yet another American: John J. Sullivan Jr., 26, a freelance journalist from Bogota, N.J., on assignment for *Hustler* magazine. Sullivan, who had previously spent a year in Rio de Janeiro, checked into the Sheraton six days before the slayings in the dining room. He left his room the next day, leaving behind his camera, tape recorder, typewriter, a Spanish dictionary and a well-worn handbook on South America. The tall, bearded newsman never returned to his room and has not been heard from.

The latest incidents came only a month after slayings of five other Americans who had been working in El Salvador. In early December, suspected right-wing terrorists shot three nuns and a Catholic lay worker alongside a dirt road, 30 miles east of the capital. A fortnight later an American ex-policeman working as an investigator was gunned down.

José Napoleón Duarte, President of the U.S.-backed civilian-military junta, promised an "extensive investigation" into the murders of Hammer, Pearlman and Viera, but was vague about what interests in the strife-torn country might have been responsible. At first, he said the killings were "an action of the extreme right," but then he added, "Of course, it could be the left." Officials believed that Viera, 39, had been the killers' main target, that the two Americans might have been shot solely because they happened to be with him.

El Salvador's land-reform program, actively backed by the U.S., has already created cooperative farms for 386,000 peasants. It has been bitterly opposed by both political extremes: the right, because it has taken land away from the almost feudal oligarchy of the country's 14 wealthiest families, and the left, because it attempts to take much of the steam out of their Marxist promises and deprives them of a rural power base.

El Salvador's 5,000-strong leftist guerrillas vowed last month to launch a "final military offensive," in an attempt to defeat the junta before U.S. President-elect Reagan takes office and can deliver on a campaign promise to increase military aid to El Salvador's security forces. The government is mustering a concerted series of counterattacks in an effort to thwart the insurgents. A guerrilla stronghold on a volcanic slope 25 miles from the capital has become a battleground for some of the heaviest fighting in months. Army forces last week repeatedly sprayed the area with grenades from hovering helicopters. In one engagement alone, 22 guerrillas, including four women, were reported killed. At week's end, the guerrillas seized a radio station, announced the start of a general offensive, and called for popular uprisings against the regime. ■

Bodies of Pearlman (foreground) and Hammer

A roller disco crammed with teen-agers.

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Resettled refugees: eating ice cream in Paris; running a restaurant in Sydney, Australia; chatting with a policeman in London

REFUGEES

Safe Ashore at Last

For most Vietnamese boat people, the suffering has ended

Only two years ago, a tidal wave of Vietnamese refugees seemed to have engulfed all of Southeast Asia. Arriving in frail fishing craft in the waters of Thailand, Malaysia and other countries that proved incapable of or unwilling to shelter all of them, they were known as the boat people. They seemed to be the ultimate casualties of the U.S. defeat in Viet Nam. Peasants and fisherfolk, small shopkeepers and traders, as well as former soldiers of Saigon's army, they fled the oppressive Hanoi regime in increasing numbers. Soon the exodus was joined by hundreds of thousands of ethnic Chinese, who were routed from their ancestral homes in Viet Nam in the spring of 1978 during a fierce outburst of anti-Chinese racism by Hanoi. More than a quarter of a million people who left Viet Nam by boat—most of them children—are believed to have perished at sea because passing ships refused to help them, or Asian governments denied them haven For 384,000 surviving boat people, there seemed to be no better prospect than interminable months in fetid "holding centers" in Thailand, Malaysia, Indonesia and Hong Kong. Even today, the bobbing skiffs that still flee Viet Nam are prey to ruthless Thai pirates who rape the women and plunder the refugees' belongings —in one documented case, even the gold fillings from their teeth.

At the end of 1980, however, for a majority of the Vietnamese boat people the horrendous saga of suffering had come to a halt. According to the United Nations High Commissioner for Refugees, by the turn of the year more than 300,000 Vietnamese had been permanently settled in the West. Though 60,000 still remain in Southeast Asian camps, the resettlement record is impressive. The U.S. tops the list of countries that have accepted the Vietnamese boat people, with 185,000, followed by Canada, with 46,000, and Australia, with 38,000. France has taken in 9,000, in addition to 62,000 other Southeast Asian refugees. The remaining boat people are scattered in various other Western European countries, from Italy to Norway.

The most comprehensive and possibly most successful effort to integrate the Vietnamese has been made by the Australians. Their campaign, in fact, represents a radical break with their once notorious "white Australia" policy. Upon arrival the refugees are housed in government-run hostels for four months to a year. There they study English and attend orientation classes. Most get jobs quickly and keep them. Australian employers find the refugees exceptionally hard-working and stable. Explains Melbourne Social Worker Phillip Benoun: "They've hurdled the obstacles of their escape, getting into a refugee camp and being accepted as immigrants in Australia. Now they've won their freedom."

In Europe, France's reception of refugees has been impressively warm and well organized, largely as a result of strong public pressure. Stirred by the plight of the boat people and by their old colonial bonds to Indochina, the French have admitted 71,000 Cambodians, Laotians and Vietnamese. Indeed, 35,000 of the Indochinese in France are not even regarded as refugees, but as French nationals who are entitled to repatriation. The newcomers spend their first months in 41 resettlement centers that provide them with French language lessons, clothing, spending money and other necessities. Jobs, however, have been hard to find in a time of economic squeeze. In spite of efforts to distribute the refugees around the country, about half have congregated in Paris. Still, with a population of 53 million, including 4 million immigrants from southern Europe and North Africa, France is proud of its record. Says Social Worker Isabelle Brumpf: "Taking in refugees is not a part-time job. It is often a draining and frustrating task, but it is amazing how many families and communities have met the challenge."

In Canada, the boat people can thank private organizations and individuals who responded to the crisis. "Per capita, Canada did as much as or more than other countries because so many people decided it was the right thing to do," says Kirk Bell, executive director of immigration for Ottawa's Federal Ministry of Employment and Immigration. The Ottawa government has provided air transportation that the refugees must ultimately repay. Private sponsorship groups and churches have supplied housing and taken over additional details of resettlement for most of the boat people, as well as some help for the 23,000 other Indochinese refugees Canada has accepted. This degree of personal involvement among Canadians has given an emotional boost to the homesick refugees Says Vietnamese-born Psychi-

SIMON—KATHERINE YOUNG

Boat people in South China Sea headed for Hong Kong

The prey of ruthless Thai pirates who rape and plunder.

atrist San Duy Nguyen: "Many have symptoms of depression, but if you consider the hardships they endured you would expect a higher incidence of mental health problems."

The sheer size and visibility of the Vietnamese influx into the U.S. at first dismayed many Americans who might have preferred to forget the Viet Nam War. Conspicuously few former antiwar activists, for instance, have taken up the cause of the victims of Hanoi's postwar repression. There has also been widespread concern over accepting refugees in such substantial numbers in a time of recession. Still, Americans, more than any other people, have taken practical responsibility for the Vietnamese.

The U.S. Government has spent roughly $3.2 billion in transporting and resettling 185,000 boat people, in addition to 142,000 other Indochinese refugees and the 123,000 Vietnamese who were airlifted to the U.S. at the time of the American pullout from Viet Nam in 1975. That aid has been supplemented by scores of private voluntary agencies, such as the United States Catholic Conference, the Hebrew Immigrant Aid Society and the International Rescue Committee, which have taken charge of the actual resettlement of the refugees.

Except for the 1975 refugees who were held in temporary camps in the U.S. for up to nine months, newly arrived Vietnamese have been thrust into everyday American life from the moment of arrival. Families like the Trinhs *(see box)* are lodged, sent to school and employed, if possible, with surprising speed. Though the culture shock is incalculable, the boat people are determined to adapt. "Whatever job they get here usually means a substantial upgrading in their standard of living," points out International Rescue Committee Executive Director Charles Sternberg. One major problem for the boat people, however, is loneliness. Unlike Korean and Chinese immigrants, the Vietnamese find no well-established communities of compatriots. Most of the boat people have been resettled in California, Texas and Washington. Says Elizabeth Kirsnis of Los Angeles' Catholic Welfare Bureau: "They're working, they're not accepting welfare. All their charm, reserve and dignity are returning. They're no longer just survivors."

In spite of a positive overall record of resettlement, officials at refugee agencies fear that compassion may give way to indifference as time goes by. Says Sternberg: "Some of the drama surrounding the boat people has faded and national memories are short." Meanwhile, 60,000 Vietnamese refugees are still waiting in temporary Southeast Asian camps. The rate of escape from Viet Nam has risen from an average of 3,000 a month at the end of 1979 to an average 6,500 last year, with no end in sight to the number of those ready to set sail for freedom. —*By Patricia Blake*

The Odyssey of the Seven Trinhs

The Trinh family's 10,000-mile odyssey from their home in Saigon to New York City has been both stormy and perilous. The seven Trinh brothers and sisters, who are ethnic Chinese, had secretly set sail from Saigon in April 1979 in a rickety fishing boat, with no more than a 50% chance of survival. Arriving on the coast of Malaysia one week later, the Trinhs first spent a year in a squalid refugee camp, then embarked for the U.S. last October. They arrived in New York City, where they were greeted by an uncle who lives in Queens. TIME *Correspondent James Wilde spent several days with the Trinhs to see how they have been settling in. His report:*

For refugees the sorrow of exile is the cruelest pain of all. When they finally arrive at their longed-for destination, there comes a time for tears. Like travelers shipwrecked on an alien island, they weep over their lost homeland, their abandoned relatives and friends.

The Trinhs have done their share of weeping. When they arrived eleven weeks ago, they cried for their parents and the 12-year-old brother they had to leave behind. But soon they were caught up in the bewildering process of resettlement. Caseworkers from the International Rescue Committee helped the Trinhs apply for Social Security cards and welfare for the four youngest teenagers: Thanh, 19; So Trung, 17; So Lan, 16; and So Huong, 14. The I.R.C. gave the Trinhs $330 for food, supplied them with winter clothing and paid their rent and utilities for two months.

TED THAI

The Trinhs on a New York rooftop

The Trinhs are living in a four-room apartment in a huge, gloomy, rundown building off Ocean Avenue in Brooklyn. The furniture, some secondhand, was provided by the I.R.C.: two double beds, three single beds, a table, a chest of drawers and seven chairs for the seven siblings. The walls are bare except for a Buddhist shrine. It is cold. The Trinhs' apartment has been getting little heat during New York City's cold winter. The I.R.C. has complained to the city on behalf of the Trinhs and the other Vietnamese refugees in the building. "They don't like to complain about anything," says an I.R.C. representative.

What is ahead for the Trinhs? At first haltingly, then with increasing verve, they pour out their hopes and concerns. Says the eldest brother, Tuyen, 24: "I'll do anything for now, but some day I want to get a few acres of land and grow fruit trees as I did in Viet Nam." Tuyen is satisfied with his first job. He is stuffing feathers in down coats for a clothing manufacturer at $4.50 an hour. Brother Thanh is tinkering at home. "I found this broken television set in the garbage on the street, and I'm trying to find out how to fix it," he says.

Learning English is the Trinh family's priority. The four teen-agers all attend public school in Brooklyn. They still feel estranged. Only one American girl in Ditmas Junior High School has tried to make friends with So Huong, for example. Says the ninth-grader: "I don't know how to talk to anyone yet, and I don't know how to do my homework." After school or work, the whole family spends long hours poring over their copy of *Access to English as a Second Language*.

The Trinhs are understandably fearful of crime. The first day they moved to Brooklyn they witnessed a mugging in the subway. Says Thuy, 22: "We've been warned not to leave home unless it's necessary, not to go out after dark, and to always travel in twos and threes." Adds Thuc Phan, 20: "How can we tell robbers we are too poor to rob?"

A powerful bond of familial love provides solace and strength. Says Tuyen: "Our brothers and sisters are all we have now; we will stick together as long as we possibly can." As the Trinhs sit around their table on their seven chairs, their eyes sparkle with life and good humor. Says Tuyen: "Our grandparents left China for Viet Nam, and now we, the third generation, have left for the U.S. We intend to do what our forebears did: survive."

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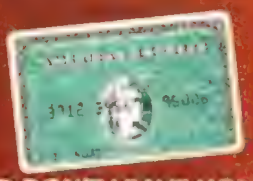

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EASTERN

WE HAVE TO EARN OUR WINGS EVERY DAY.

Battle over the Buckeye Three

In Louisiana, a federal and a state judge clash on busing

They were typical adolescent girls in central Louisiana, one fond of cheerleading, another keen on basketball, the third active in the school booster club. Last week as they returned from Christmas vacation, the three found themselves caught up in a blizzard of nationwide publicity. No longer were they merely Ramona Carbo, 12, Lynda McNeal, 13, and Michelle LaBorde, 13. Suddenly they were the Buckeye Three. The reason: they had become key figures in an unprecedented federal-state crossfire over desegregation.

The antagonists: Judges Lee and Scott

The conflict began last August with a busing order by Federal District Judge Nauman Scott in Alexandria, La. Scott redrew local districts to put 107 seventh- and eighth-graders from the all-white Buckeye High School—including Carbo, McNeal and LaBorde—into the area served by the racially mixed Jones Street School in Alexandria, 15 to 20 miles away. Only 22 of the students complied. McNeal and LaBorde joined the majority who enrolled in private schools. A bogus address enabled Carbo to stay at Buckeye. Then in November, the parents of the three got State Judge Richard Lee to approve a transfer of custody to friends who lived within the Buckeye district. Scott denounced the scheme as a "sham" and overturned Lee's decision.

As school opened, Lee directed Buckeye Principal Charles Waites to ignore Scott and re-enroll the girls. To make sure the principal got the message, Lee sent the trio to school accompanied by four state troopers. The federal judge issued an order banishing the troopers. Lee countered by escorting the girls himself for the next two days. But the Justice Department sought a contempt of court ruling against Lee, and even the Buckeye Three stopped showing up at school. This week is expected to bring a dramatic face-off between Lee and Scott over the contempt motion—in Scott's courtroom.

Lee reasons that since custody has become an issue, the dispute centers on family law, traditionally the purview of state courts. Under the Constitution's Supremacy Clause, however, a federal judge has the power to look through state law questions and, if they are evasions of federal law, to disregard them. "He's off the wall," insists Virginia Law Professor A.E. Dick Howard.

This week's hearing probably will result in a simple choice for Lee: fall in line or continue to risk a fine of up to $1,000 a day. The contempt papers also name a constable who assisted Lee as an escort, Waites, the school superintendent, the parents and the friends who took custody of the three girls.

For many local residents, the case has at least provided a chance to vent frustrations over their inability to control their schools as they see fit. "People are fed up," says Waites. "We have a say-so over Judge Lee; we elected him. But not over Judge Scott." Bumper stickers have sprouted, reading LEE IS HOT—SCOTT IS NOT. A Mobile, Ala., lawyer who is president of the conservative Taxpayers Education Lobby has arrived in town to represent Lee, frankly "looking for a classic confrontation." Says Dan C. Alexander Jr., with obvious relish, "This is the first time we've found a state judge who would say no to a federal court."

The two judges pair off in more than judicial philosophy. According to one person who knows them both, Lee, 44, is a country boy who drinks bourbon, coaches Little League and says he is descended from Robert E. Lee; Scott, 64, is a city boy who favors Scotch, plays golf and reads.

Justice Department officials, however, are eager to avoid intensifying the conflict or arousing memories of Governor George Wallace's defiant stand before a doorway at the University of Alabama when two blacks tried to enter under a federal order. They are reluctant, for instance, to call in marshals to keep the Buckeye Three out of the white school. Says one official: "The purpose is not to refight the Civil War." ■

Michelle LaBorde, Ramona Carbo and Lynda McNeal arriving at Buckeye with a trooper

For local residents, frustration over their inability to control schools as they see fit.

Party-Line Plea

Telephoning the bench

It was Christmas Eve. Phoenix Attorney Don Wilson wanted to postpone a February trial, but he hoped to avoid spending 45 minutes driving back and forth to court just to take part in a two-minute hearing. So Wilson picked up the telephone and made his pitch, successfully, in a conference call involving two other lawyers and the judge.

Party-line pleading dates from 1970, when judges in California agencies began accepting such calls. It has caught on with municipal, state and federal judges elsewhere—notably in Arizona's sprawling Maricopa County, where heavy floods a year ago limited travel and thus created a perfect test for the idea. While saving considerable time and money, "it doesn't cut down the effectiveness of the advocacy at all," says Thomas Kleinschmidt, a superior court judge in Phoenix. The technique is used for various proceedings, including hearings on the admission of evidence, the trial schedule and the parties' rights to documents from their opponents' files.

Some judges have a special wrinkle to ensure objectivity: if an attorney is present when his opponent phones in, he is asked to leave the judge and go to a telephone also, in order not to gain an unfair advantage through body language. ■

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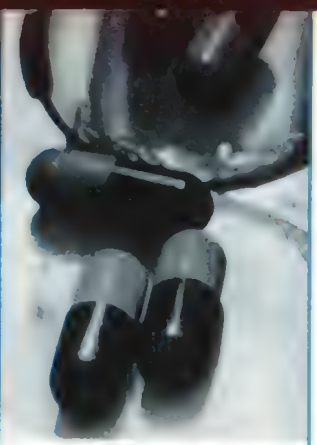

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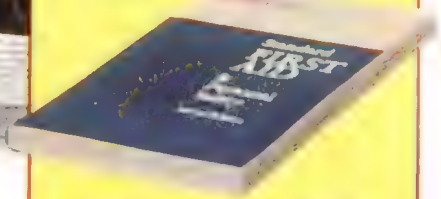

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Music

Yo-Yo's Way with the Strings

At 25, Cellist Ma awes critics and colleagues alike

The scene must have looked like something being staged for a Fassbinder movie. The whiz of Volkswagens streaming along the *Autobahn* slowed down as drivers ogled the spectacle at the side of the road. There sat a Peugeot with a blown-out tire, and perched on a suitcase near by sat a bespectacled Chinese youth serenely playing Haydn on his cello.

"People couldn't believe what they were seeing," recalls Yo-Yo Ma, 25, but to him it was natural. He had a concert in Frankfurt that night, then a flight to a recording date in London, and while waiting for help, Ma decided to brush up on his Haydn. The dedication is typical for Ma; so is the hectic schedule (125 concerts this year) and the cheerful indifference to adversity. The silky beauty of his playing awes not only critics but other musicians. Isaac Stern, the virtuoso of violin and musical politics, says: "Ma is one of the greatest instrumental talents alive."

Yo-Yo Ma at practice in Cambridge

"What are you doing with this child?"

Some are born great, some have greatness thrust upon them, and some have fathers like Hiao-tsiun Ma. A musical pedagogue who migrated from China to Paris in the '30s, Papa Ma started teaching Yo-Yo (Yo means friendship in Chinese) at the age of four, with a 1/16-size cello. Yo-Yo had to memorize two new measures for each daily lesson. "I had to play right," Yo-Yo recalls. "If I made a mistake, then I would have to play the passage right three consecutive times."

At five Yo-Yo played easily three of the Bach suites that lesser mortals have grown gray practicing. At seven he was brought to New York, where his father had been offered a job teaching at a school that Stern's children attended. Connections were made. Yo-Yo performed on the Johnny Carson show. He was taken to play for Pablo Casals. "What are you doing with this child?" demanded the patriarch. "You must let him go and play on the street."

Nobody gets to Carnegie Hall that way. Yo-Yo was taken to the Juilliard School and enrolled with Leonard Rose. "He was very small and already quite extraordinary," says Rose, himself a cellist of the first rank. Yo-Yo's technique was impeccable, and then an inner quality, unteachable, began to develop. "When he was about 17," says Rose, "he gave a performance of Schubert's *Arpeggione*, which is a holy terror for cellists, and it was so gorgeous I was moved to tears."

Ma's only weakness—if it is a weakness—is that his tone is relatively small. It is supremely elegant but lacks the sonorous grandeur that audiences have come to admire in a Piatigorsky or a Rostropovich. Some might attribute this to the French tradition of string playing, but it may also be due to a congenital curvature of Ma's spine. Complex surgery last spring corrected the condition.

At 15, when Yo-Yo first left home to go to a summer music camp, he ran into difficulties. "I became totally disorganized," he says. Even back at Juilliard and later at the Marlboro Music Festival, he "acted crazy and silly." He would go to sleep on tables, get drunk, play pranks. The solution was, of all things, to be shipped off to Harvard. There, in addition to studying music, he could meander in and out of Dostoyevsky, sociobiology, German literature.

That eclecticism helps to differentiate Ma from other prodigies. He likes to do calligraphy and play chess. He is reading *Don Quixote*. He brings the same sense of exploration to the cello repertoire: he has performed such oddities as the concerti of Dmitri Kabalevsky and Gerald Finzi, plus his own transcription of the Brahms D minor violin sonata.

Ma is concertizing in Europe now, and top orchestras are signing him up well into the '80s. He remains an artist-in-residence at Harvard, where his wife Jill, 27, teaches German. Last fall they played host at an old-fashioned waltz party in Leverett House. Yo-Yo spent the evening sawing away at Strauss in the student orchestra. Says he: "Good music is good music." ■

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Pauline Esther in her Beverly Hills office

Esther Pauline at home in Chicago

Advice for the Lonely Hearts

After 25 years Abby and Ann are beacons for 130 million readers

To the confused and lonely hearted, to Idaho Woe and Been Around and Mr Also, they are wise and steady friends. To 130 million readers from Tokyo to Tucson, they are the witty and no-nonsense "Dear Abby" and "Ann Landers." In real life, they are twin sisters, Esther Pauline ("Eppie") Lederer (alias Ann Landers) and Pauline Esther ("Popo") Phillips (Abigail Van Buren), together the most widely syndicated columnists in the world, with upwards of 1,000 newspapers apiece. Says Loyola (Chicago) University Psychologist Eugene Kennedy: "Their columns are the national mailbag. The advice they give is fundamental common sense, and no one has ever improved on that."

Abby celebrated her 25th anniversary last week. As usual, Sister Ann beat her to the punch, marking her own silver anniversary last October in Chicago. It was only the latest chapter in the rivalry —sometimes bitter—that started 62 years ago on the Fourth of July, when Landers contrived to be born 17 minutes before Van Buren. Growing up, the 5-ft. 2-in., blue-eyed, identical twins were virtually inseparable; they dressed alike, took the same high school classes, double-dated and even had a double wedding

The trouble started in 1955 when Ruth Crowley, the original Ann Landers, died, and the Chicago *Sun-Times* ran a contest to find a successor; Eppie won by loading her sample answers with expert advice from such stellar sources as Notre Dame President Father Theodore Hesburgh and Supreme Court Justice William O. Douglas. Sister Pauline volunteered to help answer the backlog of 5,000 letters Two months later, Pauline launched her own column in the San Francisco *Chronicle*, her *nom de plume* taken from Abigail in the *Book of Samuel* ("And blessed be thy advice") and President Martin Van Buren. Landers was miffed, to say the least. The sisters hardly spoke for several years. Coos Abby now: "We're *so* close." Admits a candid Landers: "If anyone had written to me with the problem, I would have said 'Forgive and forget.' "

Despite the rift, both columnists flourished, piling up readers on five continents, giving opinions on everything from Thai singles bars to the efficacy of witch doctors. "It could be that the medicine man really did help you," Landers advised one South African correspondent Closer to home, the problems are often more mundane—but no less thorny. Last spring a reader asked Landers if toilet paper should unroll over or under the spool. Landers said under; thousands of

Homespun Zaps and Zingers

The knock-out punch is an Ann and Abby trademark. A selection of some of their best—and briefest—replies.

Dear Abby: What is the cure for a man who has been married for 33 years and still can't stay away from other women? His Wife
Dear Wife: Rigor mortis.

Dear Ann Landers: I'm a mail carrier and my job starts at 8 a.m. This is time enough for women to get a dress on and run a comb through their hair. Most housewives look so terrible it's enough to spoil a man's day. The Mailman
Dear Mailman: You ain't never been a woman at 8 o'clock in the morning.

Dear Abby: Married women are expected to wear wedding rings. I think all married men should wear something to indicate that *they* are married. Wilma
Dear Wilma: Isn't a five-year-old suit and a worried look sufficient?

Dear Ann Landers: I am 15 years old and my biggest problem is my mother. All she does is nag, nag, nag. From morning till night. It is, turn off the TV. Do your homework. Wash your neck. Stand up straight. Go clean up your room. How can I get her off my case? Pick, Pick, Pick
Dear Picky: Turn off the TV. Do your homework. Wash your neck. Stand up straight. Go clean up your room.

Dear Abby: Our 19-year-old daughter Caroline has started going with a guy named Angelo. He never takes her anyplace. He just comes over every night to watch television and wear out our sofa ... What should I do? Kitchen Sitter
Dear Sitter: Send me a picture of Caroline and I'll tell you what to do.

Dear Ann Landers: A man 12 years my junior talks of marriage, but his conversations all wind up with questions about my financial situation. [If] he is insincere ... why does he swear he worships the ground I walk on? Miss B.L.K.
Dear Miss B.L.K.: He probably thinks there's oil under it.

Dear Abby: I am a divorced woman in my early 40s. Where can I find a man ... who would like an attractive companion for dinner and the movies without expecting sex afterwards? I can't afford to travel far. It seems that

readers wrote in to set her straight. Sniffed one: "Obviously you do not use the expensive kind of toilet paper with decals." No column was more painful than the one that appeared on July 1, 1975. Wrote Landers: "The sad, incredible fact is, that after 36 years of marriage [my husband] Jules and I are being divorced." Some 30,000 readers wrote to express sympathy.

As social issues have grown more complicated, the sisters have kept up with the times. The two now include information about heroin and venereal disease in their advice to teen-agers. Landers, based in Chicago, confesses that while disapproving of teen-age sex, she no longer believes that "every girl must hang on to her virginity until marriage or death, whichever comes first." Like Ann, who pioneered the use of expert advice in her column, Sister Abby refers many readers to psychologists, clerics and other specialized counselors—but never before investigating the service. A former World War II Red Cross aide, she has donned a blond wig to visit, incognito, a Gamblers Anonymous meeting in New Jersey, a suicide prevention center in Los Angeles, even a Masters and Johnson clinic in St. Louis. Says she: "I learn more from my mail than a gerontologist can in an average practice."

That mail has not slowed over a quarter-century. Today, Van Buren, who started her newspaper career tapping out pithy answers on a portable typewriter balanced on a card table in her San Francisco den, needs four full-time mail openers, six matronly letter answerers and a research assistant to help with the 25,000 letters that pour into her Beverly Hills office every week. The top topics, to nobody's surprise: sex, loneliness and frustration. Sometimes the mail flow becomes an avalanche: a record 227,000 readers responded when Abby asked in her column last summer whether women over 50 enjoy sex (half were enthusiastic). Over the years the sisters' mail has provided grist for pamphlets and books, including the bestselling *Dear Abby* and the *Ann Landers Encyclopedia*.

The pair agree on almost everything, which often leads to the confused comment: "I read it in 'Ann Landers'—or was it 'Dear Abby'?" Some connoisseurs think they can detect a difference. When the Modesto *Bee* (circ. 65,490) asked its readers last October to vote on which column to run, Landers won by a landslide, 837 to 97. But most readers—and editors—agree with Austin *American-Statesman* (circ. 128,093) Managing Editor Jeff Bruce, whose paper, like many others, carries both columns. Says he: "I suspect most readers cannot tell one from the other." Big Sister Landers, who appears in the *Sun-Times* while Abby runs in its Chicago rival, pooh-poohs comparisons. Asked about her sister's column, she replies sweetly, "Isn't it terrible—I never read the *Tribune*." —*By Janice Castro. Reported by Michael Moritz/Los Angeles and J. Madeleine Nash/Chicago*

all the eligible men in the northern part of New Jersey expect sex after an evening's entertainment. "J" in Lincoln Park, N.J.
Dear "J": Try southern New Jersey.

Dear Ann Landers: My wife has been a stationary snowdrift from the day we married . . . She is an excellent mother, a fine housekeeper, a gracious hostess and active in the League of Women Voters. But she is more than cold, she's frozen. Starvation Diet
Dear S.D.: Many are cold but few are frozen. Your wife should talk to her doctor . . . You should see a doctor too. A French philosopher once said, "There are no cold women, only clumsy men."

Dear Abby: Is it possible for a man to be in love with two women at the same time? Jake
Dear Jake: Yes. And also hazardous.

Dial M for Money

IRS okays nonprofit profits

When the Public Broadcasting stations in New York (WNET), Washington (WETA), Chicago (WTTW) and Los Angeles (KCET) launched the monthly television guide *Dial* (circ. 690,000) last September, praise from charter subscribers was all but overwhelmed by protests from other publishers. Reason: *Dial*, which is sent to supporters of sponsoring stations (now including WTVS Detroit) who contribute at least $25 a year, would compete for advertising with commercial magazines while enjoying Public Broadcasting's nonprofit advantages. Among those breaks: generous tax exemptions, lower postal rates, tax-deductible subscription fees and free promotion on PBS stations.* Publisher Philip Merrill, whose *Washingtonian* (circ. 103,300) was directly threatened by *Dial*, spearheaded a campaign to end this federal largesse.

Now *Dial* has won a decisive round in the battle: the Internal Revenue Service rejected a challenge from Merrill two weeks ago, ruling that Public Broadcasting Communications, Inc., which publishes *Dial* for the sponsoring stations, is a nonprofit, tax-exempt organization. Merrill had already lost a round with the Federal Communications Commission, which last month refused to prohibit PBS stations from promoting *Dial* on the air.

Still pending is *Dial's* appeal for second-class, not-for-profit mailing rates, which could save it $380,000 annually. That would help considerably, since the magazine has to repay $1.75 million in start-up costs. Says unbowed Competitor Merrill: "They've got problems." ■

*Other nonprofit magazines include *National Geographic*, *Ms.*, *Mother Jones* and *Smithsonian*.

Religion

Not Heresy

Rome drops a tricky case

In two pre-Christmas shots heard round the theological world, the Vatican in 1979 summoned Father Edward Schillebeeckx from The Netherlands for questioning as a possible heretic and then declared that West Germany's Father Hans Küng had no license to practice as a "Catholic" theologian. Since then Küng has been moved from the Catholic faculty at the University of Tübingen into an unattached religion professorship. As for Schillebeeckx, whose belief in the divinity of Christ has been questioned, the Vatican has quietly decided to take no action, at least for now, thus signaling that there is still some leeway for liberal thinking in the era of Pope John Paul II.

The Vatican's doctrinal office last week refused to admit that anything has been decided. But Schillebeeckx had already announced that he received a letter from the Vatican asking that he make "clarifications" on four matters in future writings—which he intended to do anyway.

Schillebeeckx

As a notable Christologist, Schillebeeckx is a leader in the doctrinal reinterpretation of Christ, in part because he wants to make the Saviour more accessible to modern man. But in doing so, he avoids the words of the Nicene Creed about Jesus being "eternally begotten of the Father . . . true God from true God . . . one in Being with the Father."

Does he feel exonerated? "Well, I haven't been convicted," he told TIME last week. He says it "may take many months" before he gets around to clarifying the Vatican's four points. By then, he may be in trouble over his new book, in which he argues against priestly celibacy and for the ordination of women. "This time I make it clear I wish to change clerical law," he says. "I consider the matter with Rome closed only as far as my previous work is concerned."

Even so, there are practical reasons for the Vatican to handle Schillebeeckx more gingerly than Küng. Schillebeeckx has come obediently to Rome to discuss the situation. He also enjoys the backing of his influential fellow countryman Johannes Cardinal Willebrands. Besides, the Vatican faces many deep differences with Catholics in The Netherlands and would like to avoid any further squabble. ■

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The President poses in the Oval Office and First Lady Rosalynn in the Yellow Oval Room—with Misty Malarkey

People

Eleanor and Franklin had done it. Bess and Harry too, along with every First Couple since. So, in keeping with a four-decade tradition, **Jimmy** and **Rosalynn** agreed to pose for **Yousuf Karsh's** camera. The Carters, says the famed Ottawa lensman, were "very cordial, warm and cooperative" as subjects. So was Amy's pet, Misty Malarkey, a copycat who insisted on being included in Rosalynn's portraits, taken in the Yellow Oval Room. The President, who had generously allowed two hours for his session in the Oval Office, proved especially understanding when asked to pose again for some shots that had been incorrectly exposed. "Mr. Karsh," sympathized Carter, "I'm glad I am not the only one who makes mistakes in the Oval Office."

■

It was the usual graduate-school scenario: three university professors facing down one anxious scholar during the dread oral exam on some deservedly obscure topic. Who cared? The President of Egypt for one. And if **Anwar Sadat** figured the rest of his country should also take an interest, who was going to argue? Thus when First Lady **Jehan Sadat**, 47, defended her master's thesis (on the influence of English Romantic Poet Shelley on Arabic literature), the entire 2¼ hours were presented on national TV. At the end of the program, Anwar's angel got an A. Predictably, sniped some viewers.

■

It was a time-honored gentleman's agreement between the Crown and the Fourth Estate: when the royal family wintered at Sandringham, the press stayed on Fleet Street. But that was before **Lady Diana Spencer** came along and captured the tabloid's headlines—and reportedly **Prince Charles'** heart. In a vain attempt to catch sight of the elusive lovers, a bevy of reporters and *paparazzi* besieged the rusticating royals at the private 20,000-acre estate 100 miles north of London, "hanging about the stables, photographing anything that moves," according to the Queen's press secretary. At one point, the reporters threatened to upset a Shetland pony carrying the Queen's three-year-old grandson Peter. These breaches of protocol produced some rare cracks in Her Majesty's regal façade. "I wish you would go away," she snapped at swarming newshounds. Prince Charles, too, had some unusually sharp words when he addressed a group of Fleet Street's finest. "I take this opportunity to wish you all a very happy New Year," he said with a bitter grin, "and your editors a particularly nasty one."

Elizabeth II riding the camera range at Sandringham

■

You thought **Brooke Shields** looked just nifty in her Calvins? Wrong—according to Fashion Designer **Mr. Blackwell**. The 15-year-old sex symbol's grownup getups earned her first place on Blackwell's annual list of worst-dressed women. "She looks like a Halloween trick without the treat," he sniffs. "Her mother should be totally condemned for this." Runners-up for Miss Tacky, 1980: **Elizabeth Taylor** ("Not one movie star has worse taste"), **Suzanne Somers** (a fashion plate of "recycled spaghetti") and **Bo Derek** ("a butterfly wearing her cocoon"). *—By Claudia Wallis*

COVER STORY

The Biggest Challenge

Searching for a new way to cut steep inflation and restore sound growth

Ronald Reagan's first two visits to Washington after his election were triumphal processions through a capital that marveled at his charm. His third tour of his new domain last week was more like a general's inspection of the troops he will shortly have to fling into a decisive battle. Preparations for the Inaugural gala were overshadowed by a series of warnings that the new Administration must begin moving almost immediately to meet what is clearly its biggest challenge: mending the battered American economy.

The problems looked serious indeed. Illustrating the extreme skittishness in financial markets, the Dow Jones industrial average plunged almost 24 points in a single day largely, it seemed, because of "sell" recommendations from a single market analyst, Joseph Granville *(see following story)*. Although some major banks reduced their prime rate on business loans to 20%, down 1½ points from the prevailing level in mid-December, the rate remained extraordinarily high by historic standards and was a continuing source of anxiety.

Gloomy talk rang through Washington too. Federal Reserve Chairman Paul Volcker, an independent power whose cooperation on economic strategy Reagan will need, warned the Senate Banking Committee that he intends to keep the nation's money supply growing slowly as an anti-inflationary measure, even if that policy prevents interest rates from coming down to a more tolerable level. Donald T. Regan, the President-elect's choice for Secretary of the Treasury, asserted at his confirmation hearings that "interest rates, inflation rates and unemployment rates are all expected to remain at high levels throughout 1981."

Meanwhile, Carter Administration officials broke some alarming news about the budget: in fiscal 1981, which ends Sept. 30, federal spending is now expected to balloon to $663 billion, and the deficit to total about $56 billion, second in size and impact only to the $66 billion rung up in 1976. Some advisers recommended delaying until July 1 the sweeping income tax cuts that Reagan has promised in order to keep the deficit from swelling even further; others insisted on asking Congress to make the cuts retroactive to Jan. 1, as first planned.

Though they did not resolve that dispute, Reagan's aides did agree on a deadline of sorts: by the first week in February, a mere 12 days after Reagan's Inauguration, the new Administration should have a coordinated packet of spending and tax reductions ready to submit to Congress. That might be a shade overambitious, but the Reaganauts generally feel that their chief has no time to lose.

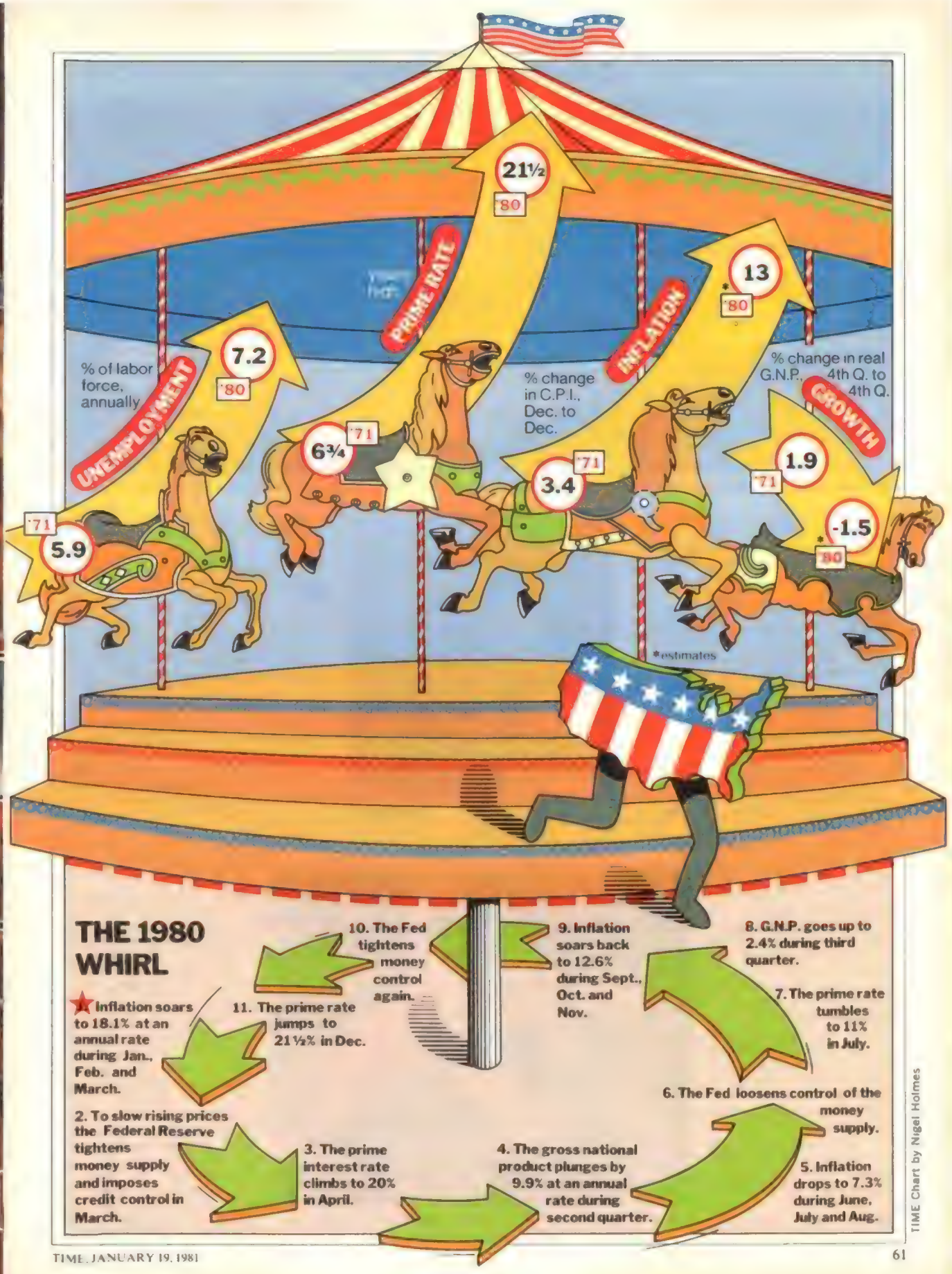
Many of Reagan's aides warn that within no more than three or four months the new President must convince Congress, the business community and the public that he not only can shape but can begin to execute a coherent, comprehensive plan to combat both inflation and recession. Political and economic cycles whirl too rapidly these days to give him any more time than that. Congress must be persuaded to enact some of the hotly controversial cuts in federal spending before the momentum generated by Reagan's landslide election victory begins to ebb. Financiers, businessmen, workers and consumers must be assured that a real change is coming before they harden in their belief that double-digit inflation, recurrent recessions and towering interest rates have become the new American way of life.

And if Reagan does not move quickly enough? Or if quarrels already started in his camp about the proper balance to be struck between various measures produce only a half-baked, contradictory program that Congress then twists out of any recognizable shape? Or, worse still, if an amalgam of tax and budget reductions, sweeping regulatory reforms and restrictions on the growth of money supply is tried and fails?

To be sure, no calamity threatens. Reagan is now leaning away from the advice of some aides that he proclaim a "national economic emergency" upon taking office. The words call up visions of the breadlines, waves of bank failures and

The President-elect, in a meeting last week with his advisers at Blair House, takes a worried look at the state of the U.S. economy

After two triumphal processions through the capital, an inspection of the troops that will shortly be flung into the decisive battle



TIME Chart by Nigel Holmes

Chairman Paul Volcker and members of the Federal Reserve Board during a session at the central bank's Washington headquarters

threats of outright starvation that confronted Franklin D. Roosevelt when he took the oath of office in 1933. Nothing remotely that drastic menaces the U.S. economy

Nonetheless, in recent years the steady growth in real income and standard of living that the U.S. once took for granted has become a dim memory. Instead, the nation seems to have become stuck on a kind of jet-propelled merry-go-round that spins through faster and faster cycles of boom and bust, rising and falling interest rates and accelerating inflation.

Never has the economy gyrated so crazily as it did in 1980—and is doing now. For example, the U.S. used to enjoy years of rising production, incomes and employment between recessions. But as 1981 begins, economists generally believe that the nation is slipping into another downturn only about five months after getting out of the last one. And the 1980 slump was exceptionally severe: it knocked down the output of goods and services at an annual rate of 9.9% in the second quarter, added 1.7 million people to the jobless rolls in April and May, and contributed to the largest quarter-to-quarter surge in unemployment ever recorded in statistics that date back to 1940. The recovery that followed was the shortest on record, and very weak. In much of the nation it was never even felt. The unemployment rate, for instance, dropped only from a peak of 7.8% in May and July to 7.4% in December, and now is expected to go up again, probably past 8%.

Republican Congressman Jack Kemp

Economist Arthur Laffer believes that tax cuts can pay for themselves

Calls for some work on the supply side of the street.

The chief reason for expecting another downturn so soon is that interest rates are flying around in a still dizzier cycle. The prime rate on bank loans to business jumped to what seemed an unbelievable 20% last April, fell to 11% in July, then rocketed to 21½% in mid-December. That is nearly double the pre-1980 peak of 12% recorded in 1974. Such swings, says Edward M. Syring Jr., an economist at the Manhattan brokerage firm of E.F. Hutton, are "absolutely unprecedented. I think 1980 will go down in history as the most volatile year in modern times. Have you ever heard of the prime going up a thousand basis points [a basis point is a hundredth of a percentage point], down a thousand, then up a thousand? It used to be that 250 basis points were a three-year move. Now the prime moves that much in a day."

The gyrations result largely from the shifting monetary policy of the Federal Reserve Board: first slowing the growth of money in an effort to restrain inflation, later letting it expand to keep recession from getting out of hand, finally tightening again. Right now the Reserve seems to have tightened about as much as it is likely to, and interest rates are easing down again. But they are still high enough to cripple seriously the housing and auto markets, crimp credit buying generally and possibly bring on a wave of bankruptcies among small- to medium-size businesses unable to pay the towering interest costs. In short, all this could—indeed, is likely to —bring on a new recession. Such a downturn might, like the one in 1980, be brief, but once again the recovery would

probably be puny. Estimates of likely growth in 1981 output cluster around a minuscule 1.3%.

Meanwhile, inflation goes on accelerating through all the ups and downs in output, employment and interest rates. Consumer prices rose about 13% in 1980, after a 13.3% jump in 1979. Nothing like that had happened in 60 years. The previous peak was the four straight years 1916-1919 during and immediately after World War I. Worse, nothing is in sight to prevent another year of inflation in 1981. The consensus forecast of TIME's Board of Economists is that prices this year will shoot up an additional 11.4%.

Inflation seems to have become self-propelling. The fear of more price boosts drives people into self-protective actions —for example, they demand that their wages or Social Security pensions be tied to the Consumer Price Index—that help bring about the very increases they dread. Recessions used to slow the process, but no more. Mourns Arthur F. Burns, former chairman of the Federal Reserve: "It is a sad fact that the basic inflation rate is no lower now than it was before the [1980] recession started. The recession accomplished nothing."

No single whirl around the economic merry-go-round leaves the nation much worse off than it was the year before. But the cumulative effect of several such spins has by now become devastating. This can best be appreciated by a brief look at the decade of decay that began in 1971, the first year in which the U.S. struggled dramatically to cope at the same time with rising inflation and rising unemployment.

It was a year of considerable alarm about the economy, yet today it seems like the good old days. The unemployment rate reached 5.9%. Inflation prompted so much worry that President Nixon clamped on wage and price controls, but still the Consumer Price Index in 1971 rose by only 3.4%. In 1971, as now, there were cries that high interest rates were strangling the economy, even though the prime rate ranged between 5.25% and 6.75%. Indeed, if anyone had predicted 7.8% unemployment, 13% inflation and a 21.5% interest rate by 1980, he would have been dismissed as ludicrously pessimistic or told that he might as well forecast revolution and blood in the streets. If he had cared to add that by 1980 crude oil would sell for an average price of $35 per bbl. (*vs.* $1.70 in 1971), that the U.S. dollar would buy only two German marks (*vs.* almost four in 1970) and that auto and truck production would total only 6.4 million vehicles (*vs.* 8 million in 1971), he might have been packed off to a mental institution.

Perhaps the most shocking of all predictions of a 1971 prophet would have been that by 1979 the U.S. would rank only tenth among members of the Organization for Economic Cooperation and Development in per capita income, a rough measure of the standard of living. Yet that is the fact: according to the O.E.C.D., the current U.S. figure of $10,662 is outranked by Switzerland ($14,967), Denmark ($12,943), West Germany ($12,450), Sweden ($12,278), Luxembourg ($11,593), Norway ($11,357), Belgium ($11,261), Iceland ($10,978) and France ($10,683).

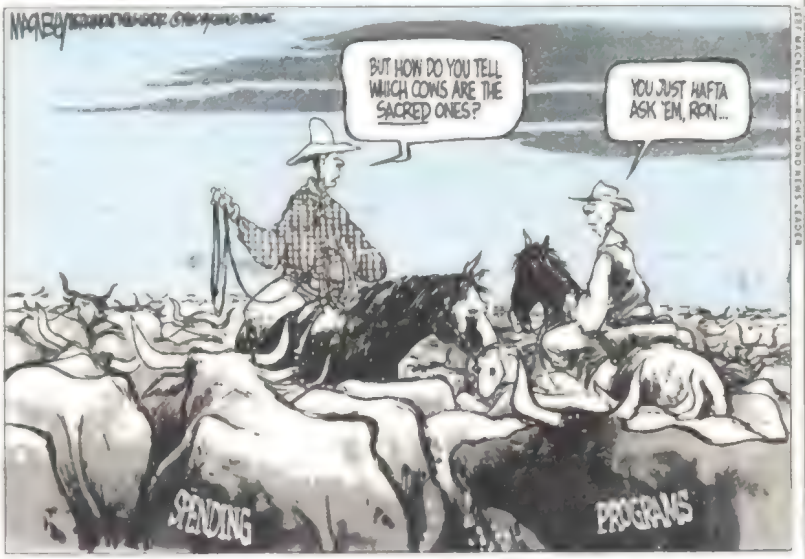
Through much of the decade, however, American incomes increased faster than the rise in prices. That occurred in part because the earnings of working wives bolstered family incomes. But since early 1979, inflation has steadily outstripped the rise in wages per hour, so that the American standard of living is now genuinely falling. That trend, above all, is robbing many people of their faith in the future, and prompting agonized pleas for some way, any way, to end the plague of inflation and recession.

Is there such a way? Policymakers have yet to find it; much of what they have done has unwittingly made matters worse. Congress, in the sarcastic words of David Stockman, Reagan's choice to be director of the Office of Management and Budget, has converted the federal budget into "a coast-to-coast soup line." Americans hurt by recession or inflation receive ever rising benefits. Two examples: aid to workers thought to be made jobless by rising imports skyrocketed from $319 million in 1979 to $2 billion for the first eleven months of 1980, and student loan subsidies, once a small program, now swallow $1.6 billion a year. Though the spending does relieve distress, it also swells the budget deficit, which fans still more inflation and ultimately contributes to recession by pricing goods out of consumers' reach. Recession and inflation then prompt still more federal spending, and so on and on.

Faced with these interlocking cycles of misery, many Americans, both consumers and businessmen, seem to be giving up hope for a cure and accommodating themselves to the situation. Union members benefiting from automatic cost of living adjustments generally consider themselves insulated from inflation and show little concern about what those pay boosts do to their employers' costs. Many businessmen, meanwhile, increase their prices despite—or sometimes because of —weak demand. Two weeks ago, General Motors hiked the cost of its cars by an average of $149, although its sales fell by 22% in December, compared with the same month last year. Those, of course, are precisely the attitudes that keep inflation rising.

Now enter supply-side economics, the quasi-official theory of the Reagan Administration, with a flourish of trumpets and a roll of drums. It is far from a unified school of doctrine; supply-siders quarrel about who is preaching the true gospel and who is espousing a heretical variant. But they agree on a central line of argument that goes like this:

The core problem of capitalist economics is balancing the supply of goods and services with the demand for them. Keynesian economists, who have dominated policy for the past generation, have tried to produce a prosperous balance primarily by pumping up demand, largely through heavy Government spending. They have assumed that supply would more or less automatically rise to meet demand.



For a long time after World War II that formula worked, but decades of Keynesian policies have now trapped the economy in a blind alley. The Government taxes away too much of the wealth generated by private business and wastes it in often unproductive expenditures. Though individual industries may overproduce, supply in the economy as a whole no longer grows fast enough either to provide jobs for all the people who want them or to absorb the demand created by Government outlays. The result: the nation suffers from simultaneous unemployment and inflation.

The way out, say many now influential economists, is to work on the "supply side" of the supply-demand balance—that is, to cut taxes and reduce Government spending so that the private economy will be free to produce a rapid increase in the supply of goods and services. Not only will that create jobs, but one branch of the school believes that demand will fit itself to the available supply with little if any further Government encouragement. And since the classic definition of inflation is an excess of demand over supply, a balance between the two achieved by increasing supply should result in the dwindling of inflation.

Such theories are neither new nor revolutionary. The forefather of today's supply-siders was the 19th century Frenchman Jean-Baptiste Say, who enunciated one of the earliest—and most hotly disputed—laws of economics: supply creates its own demand. John F. Kennedy practiced a form of supply-side economics in the early 1960s with measures like the investment tax credit to stimulate business expansion. No less a Keynesian than John Maynard Keynes himself anticipated the supply-siders' stress on incentives to production by writing: "I believe you have first of all to do something to restore profits and then rely on private enterprise to carry the thing along."

But how does one increase supply? Primarily, in the Reaganauts' view, by encouraging savings, investment and productivity. That trinity has been sorely neglected in the U.S. economy. The savings

New Mexico Republican Pete Domenici

Moving fast to cut the budget sharply

rate has dropped from 7.7% in 1971 to 6.1% today, one of the lowest in the industrial world (in Japan it is 20.1%). Business investment in new plant and equipment, which is financed largely by savings deposited by individuals in banks and insurance companies or retained by companies out of their own profits, is dragging along at about 11%, a rate that satisfies no one. U.S. productivity, as measured by output per man-hour worked, is still the highest in the world. In 1979 the productivity of an American worker was still 13% higher than that of a West German, and 34% higher than that of a Japanese. But U.S. productivity growth has been slowing since the 1960s, and in 1980 it actually declined by an estimated 1%, partly because companies are no longer providing workers with highly efficient machinery. That means, among other things, that wage increases designed to enable workers to catch up with inflation immediately get translated into still more inflation. If a worker earns more each hour but produces less, his employer ordinarily will be forced to raise prices to close the gap.

The reasons for the lag in savings, investment and productivity are numerous and complex. Inflation is a cause as well as an effect. A consumer cannot save if he needs every penny he earns to pay next month's rising rent, food and fuel bills. A businessman is not likely to build a new plant when current high interest rates and the unknowns about the future course of inflation make it virtually impossible to estimate potential profits.

Supply-siders argue in addition that the Government has been systematically, if unintentionally, discriminating against savings and investment. The tax structure, in their view, is loaded in favor of consumption and against investment: the top tax rate on income from rents or dividends is 70% *vs.* a high of 50% on income from wages and salaries. The Government funnels tax money collected from business and workers to people who consume but do not produce: for exam-

An American Nightmare

Interest rates used to be a topic confined to the annual meeting of the gnomes of Zurich or to hushed discussions by corporate treasurers. Now everybody is talking and worrying about them. "I don't ever remember feeling so tense over the prime rate," says Ellen Greenfield, 27, a reporter for *Women's Wear Daily*, the trade publication of the garment industry. "I follow it daily."

The prime rate, which despite its modest gyrations last week is still at a nosebleed high of 20%, is a convenient benchmark for interest rates. Most consumers, though, get such things as mortgages and installment loans at several points below the prime. Even so, a conventional 30-year mortgage now costs 16%, bank installment loans are 18% to 19%, and credit card companies are charging 20% on unpaid balances. Even the neighborhood loan shark, who sometimes was demanding 60% last year, has raised his fee as high as 80%.

Houghton: no interest

For many consumers the high interest rates are quickly destroying the American dream of an ever increasing standard of living, including bigger homes, flashier cars and newer gadgets. Nowhere is this more evident than in the housing market. Just a decade ago, many Americans expected to own their own homes; today far fewer do. Last year only 18% of those who bought new homes were first-time owners, less than half the level of 1977. The reason: sky-high mortgage rates. The construction industry grimly jokes that it now takes two working wives to afford a house.

Sullivan: no washer

Maureen and Pierre Eustis of New Orleans, for example, are both 27, have been married five years, and would like to buy a house. Both work to earn a combined income of $25,000, but they cannot afford a house. Says Maureen: "By the time we save enough to put a down payment on a house, the interest rate has climbed so much we can't afford the kind of house we want."

Those who already own their houses are discovering that they cannot sell them. Last May, Management Consultant Robert Nortillo, 41, put his four-bedroom home in the Hoffman Estates suburb of Chicago on the market for $102,000. When it did not sell quickly, he had to leave his wife and five children in Illinois and begin commuting twice

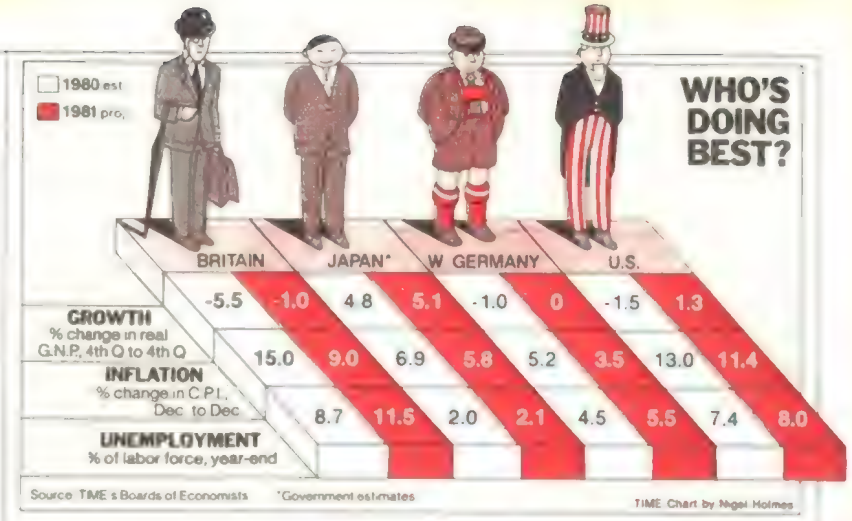
ple, military retirees or welfare recipients. Moreover, Government erects a maze of niggling environmental, safety and health regulations around every company that wants to build a new plant or change a production process.

The supply-siders' program for correcting the problems of the economy contains three main elements:

Tax Cuts. Reagan is committed to the so-called Kemp-Roth formula for cutting personal income tax rates by 10% in each of the next three years. There will be some more direct incentives to savings and investment too. New York Congressman Jack Kemp, co-author of the Kemp-Roth plan and newly elected leader of the House Republican Conference, argues for a 40% acceleration in the tax write-offs that businessmen can take on investments in new plant and machinery and for a reduction in the maximum capital gains tax rate from 28% to 20%. Others are pushing for further tax exemptions on interest paid by bank savings accounts and on dividends.

Whether Congress will accept the three-year, 30% tax cut plan is another question. Some legislators fear that reducing rates so drastically would only swell an already inflationary budget deficit. There is now speculation that Congress may settle instead on a 10%-5%-5% plan. Reaganauts retort that the full reduction is necessary to spur employees to work hard and to save a bit.

Less Regulation. Murray Weidenbaum, a member of TIME's Board of Economists and a Reagan adviser during the presidential campaign, urges a one-year moratorium on all new regulations, including those on health, safety and the environment. Stockman and Kemp would have Reagan go further and repeal or delay by presidential order many regulations either pending or already on the books. Some of their recommendations: revocation of the order forcing the auto industry to install air bags or other "passive restraints" in some cars by the 1982 model-year; elimination of energy performance standards for buildings; deferment of new workplace noise standards promoted by the Occupational Safety and Health Administration.



A Stable Monetary Policy. Economists Milton Friedman and Allan Meltzer have advised Reagan to meet with Federal Reserve Chairman Paul Volcker before the Inauguration and hammer out a formal agreement that the Fed will expand the money supply at a slow, steady pace and let interest rates go wherever the market takes them. If production rises and inflation slows, the rates would go down. Reagan is unlikely to follow that advice, mainly because he knows that the independent Federal Reserve would never agree to such restrictions on its freedom. But Reagan will probably urge such a policy quietly and informally, and Volcker is likely to concur. Deciding on a monetary policy and carrying it out, unfortunately, are two separate matters. Formidable technical difficulties can prevent the nation's central bank from achieving the rate of money-supply growth that both its

a month to his new job in New York City. Although he has lowered the asking price twice, at $95,000 his house remains unsold. "Mortgages are available," he says, "but they are so darned unreasonable that no one is willing to take them."

Many businessmen who cannot survive the high interest rates end up in bankruptcy. Dun & Bradstreet reports that there were 11,782 bankruptcies in 1980, in contrast with 7,757 in 1979. Small business is suffering especially hard. Last year, for example, 1,600 auto dealers had to close up shop because they were squeezed between high interest rates and low sales. Many people starting new companies are being forced to retrench. Don Middleberg, who is chairman of his own New York advertising and public relations firm, put off the purchase of a badly needed $16,000 word processor last month after his bank had jumped the lending rate from 12% to 22% in just eight weeks. Said he: "High interest rates are putting a squeeze on profits throughout our agency. We have to look very hard at salaries and what we buy."

The Nortillos: no moving

The soaring cost of borrowing money and the lingering effects of last year's credit controls have had a strong impact on consumer habits. Installment credit, which was rising at the rate of more than $3 billion a month in 1979, had slowed to a scant $146 million a month through October 1980. Credit cards are going into the drawer or into the wastebasket; more Christmas shoppers this year paid with cash than with plastic. Purchases that cannot be paid for immediately are often postponed. Last week when the washing machine wouldn't work, Cookie Sullivan, 35, a Winchester, Va., secretary headed for the Laundromat. Says she: "I'll be damned if my husband and I can afford a new machine with today's financing charges."

Eustis: no new house

High interest rates have taught many consumers to become as adept at juggling their finances as the treasurer of a multinational corporation. Jay Houghton, 28, a Detroit advertising executive, "floats" his bank account by writing checks for bills as soon as they come in, but he does not mail them until three or four days before they are due. He also puts major purchases on his credit card, but then pays the bills in full as soon as they arrive. Says he: "This way I get 45 days of free credit." As long as interest rates remain in double digits, such feats of financial legerdemain may be some of the most innovative and productive work done in the American economy.

chairman and the President-elect want.

The prerequisite for such a new economic initiative is an assault on federal spending. In one segment of supply-side theory, espoused most forcefully by University of Southern California Professor Arthur Laffer, budget cuts should not be necessary. Tax reductions, he argues, would fairly quickly stimulate such a vigorous expansion as to pay for themselves by bringing in a flood of new revenues. Reagan himself talked that line early in the presidential campaign, but he has long since discarded it. His aides now regard slowing the growth of federal spending as absolutely crucial.

The reason is simple: without some stern reductions in spending, the Kemp-Roth tax cuts and the big increases in military outlays that Reagan plans would, at least initially, fatten an already bloated budget deficit. That would increase the danger of fanning inflation both directly, by spilling too much money into the economy, and indirectly, by sending a dismaying signal to the financial markets. In a now famous post-Election Day memo to Reagan warning of a possible "economic Dunkirk" early in his Administration, Kemp and Stockman argued that unless tax cuts are accompanied by stiff reductions in spending, the markets would conclude that a "Reagan inflation" was coming.

Cutting will be no easy job. Fiscal 1981 will be almost one-third over before Reagan assumes office, which will leave him little time to reduce the expected $56 billion deficit. Moreover, five days before Reagan takes the Inaugural oath, Jimmy Carter will send to Congress the first budget proposals for fiscal 1982, which begins Oct. 1. They are expected to specify spending of $740 billion and a deficit of about $30 billion even without any Reagan tax cuts. Says New Mexico Republican Pete Domenici, new head of the Senate Budget Committee: "If we don't act swiftly, within three or four months, there won't be a balanced budget in 1986."

Members of the committee staff have produced a 43-page catalogue that Stockman is now winnowing down to items that could be cut quickly to save about $13 billion before the end of fiscal 1981. Some likely components of that final list:

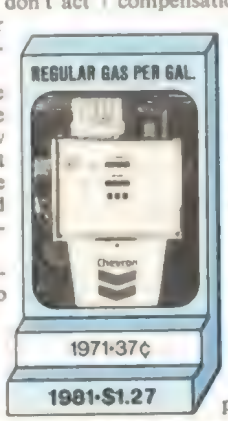
▸ Less aid to the unemployed. Laid-off workers who draw maximum unemployment compensation benefits could not also collect the special payments made to those who lose their jobs because of import competition, as many steel and auto workers do now. More important, the Government would stop financing longer-than-normal unemployment benefits in states where the jobless rate is 4.5% or more—a category that currently includes every state except Kansas (4.4%), Nebraska (3.8%), North Dakota (4.3%), Texas (4.4%) and Wyoming (3.7%). Estimated savings in fiscal 1981: $1.7 billion.

▸ A complete freeze on federal hiring. President Carter has allowed federal departments and agencies to fill only half their vacancies; Reagan, say his aides, should allow them to fill none at all. Fiscal 1981 savings: $1.5 billion.

▸ Cutbacks in urban mass transit programs. For one example, the Federal Government now pays 80% of the purchase price of buses bought by cities; the Reaganauts would reduce that to zero. Savings from this and other reductions in transportation aid: $1.3 billion.

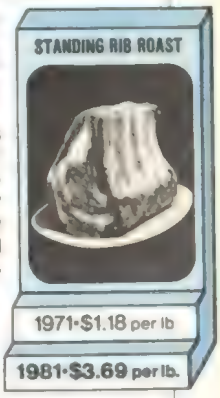
▸ A limit on the raising of federal pensions to adjust for inflation, to only once a year, rather than twice, as is done now. Savings: $450 million.

▸ The reduction of federal aid to the arts to 1976 levels. Savings: $100 million.



Paring spending in fiscal 1981 is only a start. Reagan's allies know that they must also slash the enormous future growth in expenditures that is clearly foreseeable under programs already in effect. They hope to do so in two ways. First, they note, savings from many of the cuts they propose will grow dramatically in fiscal years after 1981. In addition, Stockman in the Dunkirk memo drew up a list of potential cuts or deferrals in future spending authority for everything from airport construction and space exploration to national parks. If all were accepted, he figures, savings could total $30 billion to $50 billion a year in fiscal 1982 and 1983.

Proposing reductions and carrying them out, of course, are very different. Liberals are sure to portray some of the cuts, such as less generous unemployment compensation, as a heartless assault on the members of society who need help the most. Even those programs that seem eminently cuttable are vigorously defended by members of the "iron triangle" of federal spending: Government departments, special interest lobbyists and the staffs of congressional committees that pass on spending plans. When those three groups join forces to battle a cut in funds benefiting them, they are a mighty power. Every President since Dwight Eisenhower has tried to cut back the program that gives financial aid to often wealthy school districts where a large number of Government employees live. None has succeeded.



Domenici believes that Reagan will ask Congress to defer or cancel expenditures for some programs already approved, which would involve only minor tinkering with the law. Says the Senator: "My prediction is that the words rescission and deferral,* little known in America today, will become very well known over the next 24 months."

The biggest question about the budget is how, and how vigorously, Reagan will move on the "entitlement" programs, such as Social Security, Medicaid, food stamps and disability insurance. This spending has rocketed upward over the years as more and more people have qualified for benefits that must be paid to them by law.

Many experts believe that dramatic savings can be achieved only by rewriting the basic laws to reduce the number of people who will qualify for future benefits. Stockman has proposed doing exactly that, but Reagan's own last words on the subject were contradictory. Late in the campaign, he pledged to maintain "necessary entitlements already granted to the American people."

If Congress balks at cutting spending as deeply as the incoming Administration will propose, disagreements among Reagan's advisers that are already rumbling below the surface could erupt into a public battle. One group argues that taxes can be slashed no faster than spending; the implication is that, if Congress rejects some of Reagan's budget cuts, the tax reductions will have to be scaled back too. During his confirmation hearing last week, Secretary of the Treasury-designate Donald Regan placed a higher priority on reducing spending than on cutting taxes. He said that trimming the budget and controlling regulation were the "more important" parts of the program. Said Regan: "Then we cut taxes." The more ardent supply-siders, led by Kemp, insist that the new Administration should press ahead with deep tax reductions. Says Kemp: "I don't want to see anything compromise the full 30% cuts."

Outside the incoming Administration, there are many skeptics who question Reagan's strategy. Just about all econ-

*Rescission is the repeal of an appropriation for federal spending. Deferral is the delay in spending already appropriated money.

omists agree with the supply-siders that the U.S. can never achieve noninflationary expansion without a sharp rise in savings and investment and a reversal of the decline in productivity growth, but many doubt that the program now shaping up will produce those effects. One reason is the widespread fear that tax cuts and increases in military spending will outweigh whatever budget reductions Reagan can achieve and lead to ever larger deficits.

Walter Heller, a member of TIME's Board of Economists, points out that, quite apart from its effects on inflation, a swelling deficit operates directly to reduce savings in the economy. The Government must borrow to cover the deficit, thus decreasing savings, and in a briskly expanding economy this would reduce the money available for private investment. "The quickest and surest way to increase savings is to reduce the deficit or run a budget surplus," says Heller. But he fears that the Reagan program will do the exact opposite, at least in the short run.

Some economists, in addition, scoff at the Kemp-Roth tax cuts as bad supply-side economics. In their view, the reductions in personal income taxes will pump up demand far more than they will encourage savings. Says Lester C. Thurow, also a member of TIME's Board of Economists: "The average American saves 4% of his income and consumes 96%. He will save 4% and consume 96% of the tax cut. Savings and investment will go up a little, but consumption will go up by a whopping amount. That is not what we need."

Even Conservative Herbert Stein, the chairman of President Nixon's council of Economic Advisers, warns: "What we can do on the supply side is not big enough to solve the problem. We have demand growing by about 12% a year and supply growing by about 2% a year, which yields 10% inflation. To increase the rate of growth of supply by 50%, from 2% a year to 3% a year, which is a difficult task, would still leave an enormous inflation, especially if the increase of supply is accomplished by means like cutting taxes, which at the same time would increase demand."

Critics of the Reagan program, however, are singularly lacking in ideas for an alternative strategy. So it seems that supply-side economics, or something baptized in that name, will be given a chance. Yet even if it succeeds, the nation will assuredly have to endure at least another year or two of economic pain before there are readily visible results in increasing growth and slowly diminishing inflation. And if the Reaganauts' supply-side economics fails, the U.S. will have a few more whirls around the jet-propelled economic merry-go-round. *—By George J. Church. Reported by William Blaylock/Washington and Michael Moritz/Los Angeles, with other U.S. bureaus*

Inflation: The Enemy Is Us

If everyone agrees that inflation is a grave problem, why is it so difficult to stop? One reason is that while people like to rail against rising prices, many also derive some handsome benefits from it. They have in effect become a constituency for inflation. Says M.I.T.'s Lester C. Thurow, a member of the TIME Board of Economists: "Suppose you told small businessmen that you could wave a magic wand and bring the inflation rate to zero. They would think about it for a minute and say no. They have made some fixed commitments in loans and inventories that they would not want to live with."

Anyone with heavy debts benefits from inflation, which is why Americans no longer heed the warning in *Hamlet*: "Neither a borrower nor a lender be." People take out loans in the expectation that they will be able to pay them off later with cheaper dollars. And in recent years they have been right. Borrowers can now repay their debts with dollars worth just 63¢ in 1975 terms. That view is an important factor behind the sharp increase in consumer installment debt, which since 1975 had gone from $172.4 billion to $305.5 billion by the end of last October.

Drawing for TIME Magazine by Arnie Levin

Homeowners are among the biggest gainers. Many people buy property today with the anticipation that inflation will continue. A homeowner holding a 12% mortgage would have a crippling house payment if inflation, and the accompanying double-digit salary increases, suddenly stopped. Marty Brennan, 39, a San Francisco real estate speculator, makes an annual income of more than $100,000 from property investments. Says she: "Without inflation, I would have to be about 20 times smarter at my business and would have to work a lot harder to earn money instead of just making it."

Inflation also benefits millions of unionized workers, government pensioners and Social Security recipients whose incomes rise automatically along with the Department of Labor's Consumer Price Index. Economists generally say that the CPI exaggerates the real rate of inflation by as much as 2% because, for one thing, it overvalues increases in home financing charges. This distortion enables many people to keep their incomes ahead of the surge of inflation.

At Hughes Tool Co. in Houston, for example, both union and nonunion employees get quarterly cost of living raises whenever the CPI rises by .3%. The 1.3 million military personnel or their eligible survivors received two increases in 1980: a 6% boost in March and a 7.7% one in September. Says Lieut. General Leroy J. Manor, executive vice president of the Retired Officers Association: "Personally, I have no complaints."

Joseph J. Minarik, a Brookings Institution economist, argues that inflation has generally worked to the advantage of the poor. A number of welfare programs are indexed to the CPI, thus giving the poor a slightly better income than they had before. Wealthier people have lost ground, claims Minarik. Reason: they are among the principal owners of stocks and bonds, assets that have fared the worst under inflation because of the uncertain investment climate.

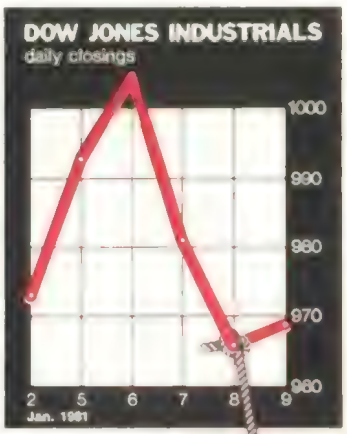
One clear gainer from inflation is the government. As inflation pushes people into higher tax brackets, federal, state and local bureaucracies collect larger revenues without having to put tax increases to a vote. Every 1% increase in inflation results in a 1.5% growth in personal income tax revenues. Consumers and politicians waging war on inflation might adopt a motto of the late great comic strip character Pogo: "We have met the enemy, and he is us."

Granville Stuns the Market

A "hole in one" for a flamboyant Wall Street tipster

Frenzy set in as soon as the opening bell rang last Wednesday morning at the New York Stock Exchange. Prices plunged as brokers carried out orders from their clients to sell out their accounts. By midday the Dow Jones industrial average had fallen 31 points, although it recovered slightly in the afternoon to close down 23.80 points on a volume of 92.9 million shares. It was the busiest session in the 188-year history of the exchange. The following day, the Dow Jones index sank another 15.19 points.

The pandemonium was not the result of an outbreak of war or the death of a President. It had been caused by Joseph E. Granville, 57, a self-promoting market theorist who lives in a suburb of Daytona Beach. Last Tuesday night Granville sent messages to some 3,000 clients urging them to sell their stocks. Like Babe Ruth pointing to the centerfield bleachers in the 1932 World Series and then slamming a home run to that precise spot, Granville predicted a big stock market tumble last week and then sat back and watched it happen.



The Granville messages sent shock waves through an always nervous investment world. Wealthy clients were summoned from their breakfasts in luxurious European hotels and from beaches in the Caribbean. In Manhattan, the wife of a Wall Street executive answered the telephone and heard a voice declare coolly, "I have an early warning for you." The cryptic message: "Sell everything. Market top has been reached. Go short on stocks having sharpest advances since April." A battery of 34 employees transmitted the news for more than eight hours, until the final message went out at 2:45 Wednesday morning.

The first effects of Granville's sell signal were felt in Europe, where markets were soon open because of the time difference with the U.S. East Coast. Prices of American stocks nosedived on London, Zurich and Paris exchanges. Even before the market opened in New York, the news of Granville's signal had spread along Wall Street. Said Newton Zinder, a first vice president at E.F. Hutton: "It was like Paul Revere's ride." As stocks tumbled, Granville proudly pronounced his feat "a hole in one, an ace."

Last week was the second time in less than a year that Granville appeared not only to have predicted a major market swing, but also perhaps to have set it off. Wall Street sages believe that last April 22, Granville singlehandedly whipped the Dow Jones index into a 31-point advance with a flash advisory to buy stocks.

The man who wields such influence over the stock market is a flamboyant showman who has become the Mick Jagger of investment. At some 200 speaking engagements a year, Granville peddles his advice amid a Barnum-like performance that includes ventriloquism, juggling and bikini-clad models. Sometimes he dresses like Moses in order to deliver the Ten Commandments of investing. Subscribers pay $250 per year for the Granville Market Letter (circ. 13,000); the "early warning service" of telephone and telex messages costs another $500 a year.

Granville says that he reached the decision to send out the sell order last Tuesday afternoon. Sitting in his posh, stuccoed office in Holly Hill, Fla., he watched the Dow Jones briefly hit 1013.13 before closing the day at 1004.69, a four-year high. In his Jan. 3 newsletter, he had predicted that the market could easily go up another 50 points from its level of 963.99, but looking afresh at the indicators he follows, Granville decided that the top of this bull market had been reached. Says he: "It involved no decisions on my part. I was just following the theory, and once we had a closing-day high above 1000, I had to give the sell signal." As soon as the market closed, Granville turned to his son and partner Blanchard, 28, and said: "Get the staff together. We're going tonight with a sell signal."

Granville has been firing off stock market predictions since 1957, when he joined E.F. Hutton to write its daily market letter. After the brokerage house began heavily editing Granville's highly opinionated copy, he quit and started his own investment service. He emerged from the bear market of the early 1970s with a dubious record. During those years, he kept urging subscribers to buy stocks even though the market continued to sink. Granville conveniently likes to forget that period and says that he has called every major market swing for the past 6½ years.

While stock market professionals are generally impressed by Granville's zealous following, most remain skeptical about his method and latest feat. They complain that if a brokerage firm sent out a message similar to that of Granville, it would be charged by the Stock Exchange and the Securities and Exchange Commission with using "extravagant and inflammatory language." Snapped one broker last week: "Granville got $5 million worth of free publicity by shouting 'Fire!' in a crowded theater."

The biggest losers last week may have been those who acted quickly on Granville's advice. The crush of opening sell orders was so heavy that many of them could not be carried out until stocks had substantially declined. Lucky investors sold after the Granville shock had subsided and the market had bounced back slightly. —*By Edward E. Scharff. Reported by John Tompkins/New York*

Investment Seer Joseph Granville's signal helped send the stock market down

"He got $5 million worth of free publicity by shouting 'Fire!' in a crowded theater."

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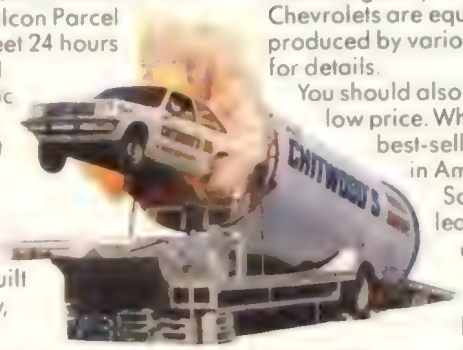

39 EST HWY | 30 EPA EST MPG

Use estimated MPG for comparisons. Your mileage may differ depending on speed, distance, weather. Actual highway mileage lower. Calif. est. lower. Chevrolets are equipped with GM-built engines produced by various divisions. See your dealer for details.

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Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health

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Filter: 3 mg. "tar," 0.4 mg. nicotine av. per cigarette, FTC Report Jan. 1980.
Menthol: 3 mg. "tar," 0.4 mg. nicotine av per cigarette by FTC Method.

For U.S. Colleges, Fiscal Ed 1A

Finding brave new ways to cope with inflation and pay the bills

Caught in a perilous financial crunch, private colleges are devising ingenious plans for raising revenues and cutting costs.

A Coin for a Library

Construction had started on Yale University's new Seeley G. Mudd Library. But inflation was exceeding expectations, and Yale needed to find another $1.5 million as the projected construction cost grew to $6.7 million. Meanwhile, resting virtually unseen in a library vault was the Yale coin collection's most famous gold piece, a 26-gram doubloon struck in 1787 by New York Goldsmith Ephraim Brasher.

Last week Yale offered the doubloon for sale, and within four days it was snapped up for $650,000. The name of the buyer was withheld because possessors of such costly coins rarely risk publicity and a possible rip-off.

With reason. The most celebrated theft of a Brasher doubloon occurred as fiction in Raymond Chandler's 1942 mystery *The High Window*, later made into a movie. But in 1965 real thieves snatched the Yale doubloon from Sterling Memorial Library. The university got it back only because a private detective, tipped off that a Chicago mobster had the coin, was able to apply a little virtuous blackmail. Everything considered, a library may be a safer investment, even if its name is Mudd.

The Brasher doubloon

Condo of the Mind

Down in St. Petersburg, Fla., where sun-seeking retirees are as plentiful as six-packs of Gatorade, Eckerd College has quite another capital idea. Eckerd, founded in 1958, has only 1,120 undergraduates and relies on a smallish $8 million endowment. But among its assets are 267 palmy, balmy acres of campus right on beautiful Boca Ciega Bay. Eckerd's idea: build houses on some of its land and sell or rent them to retirees. The college wants to put up 500 condominiums and a 270-unit high-rise—complete with nearby shopping center, conference hall, nursing facility and marina. Eckerd considers all this to be part of an educational experiment for senior citizens.

But is it that—or an old-fashioned Florida real estate promotion? In a 13-page request to have its land rezoned,

Eckerd President Armacost

Eckerd announced that it intends to limit residence in the proposed community to senior citizens with a demonstrated interest in learning, who will become members of something called the Academy of Senior Professionals. The school hopes to offer a not-for-credit program of workshops, lectures and conferences for residents in four subjects: energy and environment; freedom and economic growth; undergraduate educational values; faith and culture. The plan promises that half a dozen prominent scholars of retirement age (yet to be selected) will be hired to supervise all this. In addition, the school's regular teachers could also invite some of their qualified retired neighbors to teach undergraduates.

The main impact on Eckerd's undergraduate program, however, will be financial: income from the sale and rental of the buildings could eventually surpass the school's annual yield on its endowment. If Eckerd's zoning request is approved, says the St. Petersburg *Times*, "the lovely waterfront site would become just another tax-sheltered retirement haven for the well-to-do." Amid local concern that the plan has more to do with real estate than education, St. Petersburg's planning commission has refused to approve it. That leaves the issue in the lap of the city council, which is expected to decide on March 5.

In defense, Eckerd President Peter Armacost notes that before working out the plan the college consulted aging teachers and other professionals all over the U.S. Says he: "This is what they're looking for. Our proposed Academy of Senior Professionals is an extraordinary opportunity for people in their senior years. They will have a chance not to relax in the sun and vegetate, but to be productive." Besides, he adds, "if developing the land strengthens the program for 1,500 undergraduates, that is better than the option of having no college at all."

Draconian Steps in Denver

A Skidmore or a Mount Holyoke it never was. But Colorado Women's College in Denver had improved academically from the finishing school that used to produce Miss Americas (1955 and 1974), splendid skiers and fine wives for cadets at the nearby Air Force Academy. Still, over the past decade enrollment had dropped from 1,100 to 509, and last week the school's debt stood at $5.6 million. President Sherry Manning, 37, a University of Colorado Ph.D. in management science, felt that drastic measures were needed. She stunned the campus by announcing that because of "financial exigency," 25 out of 35 full-time faculty (including several tenured teachers) were to be fired. The administration asked librarians and an admissions recruiter to double as classroom teachers during the emergency. Treat Hall, the administration building, would be closed to cut heating bills. A third of the elm-shaded 50-acre campus in Denver's choice Park Hill neighborhood was being put up for sale.

Faculty members considered a lawsuit charging breach of contract. "The plans are madness," snorted John West, assistant professor of political science, who flew back from Paris for the new term only to discover that his class had been scrapped. Students registered for West's course in Middle Eastern Politics found themselves dumped into Pol. Sci. 335: Capitalism and Politics in the 20th Century. Fearing that C.W.C. will now lose its accreditation or even close down, students camped in protest outside the president's office and chanted, "Manning must go." But the president, plagued by creditors and collection agencies, was unmoved. "If there were any other alternative," said she, "we would have adopted it." ■

Colorado Women's President Manning

Cholesterol: the Stigma Is Back

New report reaffirms the link to heart disease

When the Food and Nutrition Board of the National Academy of Sciences reported last spring that healthy adults should not be unduly worried about cholesterol in their diets, boosters of cholesterol-rich foods were gleeful. At last the stigma attached to beef, eggs and junk fare seemed to be lifting. But last week cholesterol's reputation as a major factor in heart disease was buttressed with the publication of a 20-year epidemiological survey of middle-aged American men.

The study, conducted by scientists at Chicago's Rush-Presbyterian-St. Luke's Medical Center and at Harvard, Northwestern and the University of Michigan, involved 1,900 men recruited in 1957 from Western Electric Co.'s Hawthorne Works plant near Chicago. Then aged 40 to 55, the subjects were questioned in detail about their diets and personal habits. Using a checklist of 195 foods, researchers determined what and how much the men had eaten in the preceding 28 days. The participants' wives and employees at the company cafeteria were asked how food was prepared. Each subject was rated low, middle or high according to his intake of cholesterol, saturated fat (found in red meats and dairy products) and polyunsaturated fat (vegetable oils).

Twenty years later, the scientists tracked down the participants. The main finding: those who had consumed large amounts of cholesterol and saturated fat suffered upwards of a third more deaths from heart disease than those who consumed relatively small amounts. Says Epidemiologist Richard Shekelle of Rush-Presbyterian-St. Luke's, author of the report in the *New England Journal of Medicine*: "If you look at the weight of the evidence over the years, then our study reinforces the conclusion that dietary cholesterol affects the level of cholesterol in the blood and increases the risk of heart disease."

Nevertheless, the report is unlikely to halt debate over cholesterol. Critics of the diet-heart link point out that the body manufactures most of the cholesterol found in the blood. Thus even the most careful diet will have only a limited effect on cholesterol levels. The Chicago survey also failed to take into account changes in the intervening 20 years that could have affected the development of heart disease. Notes Peyton Davis of the National Live Stock and Meat Board: "Not only diet could change, but also the amount of alcohol a man consumes, the amount he smokes and how much exercise he gets."

Shekelle acknowledges that it "would be reasonable to assume" that many Hawthorne Works employees did change their diets. "Americans as a whole have reduced the amount of cholesterol they take in," he says. "But I would say our study probably underestimates the effect of diet. Most of our subjects were 'meat and potatoes' men. Practically no one had what could be called a low-fat diet." His recommendation: "The 'prudent diet' should be followed by people who are concerned about heart disease. That means decreasing the amount of fats and cholesterol." ■

"Another day—another chance something will be found hazardous to my health."

Valium Alarm

Does it promote cancer?

To cope with anxiety and tension, millions of people reach for a Valium, a tranquilizer that has become the U.S.'s most widely prescribed drug. Now comes a report guaranteed to make users of the drug anything but tranquil. According to a Canadian physiologist, Valium may promote the growth and spread of cancer.

Dr. David Horrobin's disturbing suggestion, presented last week in Toronto at the annual meeting of the American Association for the Advancement of Science, is primarily based on his and others' studies with tissue cultures and laboratory rats. In one experiment, Horrobin injected breast tumors into 20 cancer-free rats; half were given a salt solution, and the rest received doses of Valium roughly comparable to high dosages given humans. After four weeks, the mammary tumors in the Valium-treated rats were three times the size of those in the control group.

Horrobin also points to a British study of women with breast cancer, some of whom had been using Valium or other drugs for anxiety or depression. At diagnosis their cancers were more advanced, and after treatment they tended to recur more quickly than in the unmedicated women. The investigator attributed the more rapid growth to anxiety, but Horrobin believes that the tranquilizer's physical effects might be to blame. This is particularly ominous, says Horrobin, because "after a diagnosis of cancer, tranquilizer use increases two- or threefold." The researcher adds: "Since nobody has bothered to look at tranquilizer use in patients receiving cancer therapy, all the studies comparing treatments may be messed up."

Horrobin claims that his work and press interviews on the tranquilizer led to his being forced out of a research position at the University of Montreal in 1979. Hoffmann-La Roche, the maker of Valium, was quick to dispute his findings last week. Among rats that spontaneously developed cancer, says the company, there was no speed-up in tumor growth when they were given Valium. Moreover, notes Hoffmann-La Roche, human epidemiological studies have revealed no link between cancer and Valium use. That argument, says Horrobin, is irrelevant since such surveys have measured only the incidence of cancer, not the rate at which tumors grow. The final verdict on Valium is still not in. ■

Closing In on Cloning

In 363 tries, three rare mice and hints of things to come

In the book and movie *The Boys from Brazil*, a demented Nazi doctor uses blood and tissue cells from Adolf Hitler to clone dozens of copies of the German dictator in the hope that at least one of them will seize power and conquer the world. Though the cloning of human beings is likely to be confined to fantasy for decades—perhaps forever—other kinds of cloning have long been possible. The Greek word *klon* means twig, and the simplest kind of vegetable cloning consists of cultivating cuttings from a plant. By the mid-1950s scientists had succeeded in cloning amphibians, producing frogs that were genetically identical to each other and carried the inherited characteristics of only a single parent. Most animal cloning has been done by transplanting nuclei into egg cells to produce an entire organism from a single cell. But the cloning of higher forms of life, like mammals, is hard to achieve. Mammal eggs are microscopic, ten to 20 times smaller in diameter than frogs' eggs, and vastly more difficult to manipulate. Consequently, the barriers to cloning laboratory mice had, until now, proved insurmountable. But last week the word was out that biologists had successfully done just that.

The work was carried out in Switzerland by Karl Illmensee of the University of Geneva and Peter Hoppe of the Jackson Laboratory in Bar Harbor, Me., both veteran researchers in cell biology. Their breakthrough was not in conception —since the procedures for cloning are familiar. It lay rather in the surgeon-like skill and persistence with which they used microscopic instruments to transplant nuclei from cell to cell.

First they scooped a mass of embryonic cells from the womb of a pregnant gray mouse. Using microscopes and a micropipette much finer than a human hair, they sucked out the cells' nuclei and, one by one, transplanted each into a recently fertilized egg extracted from another mouse. That mouse was black and functioned as a kind of genetic control. The researchers drew out the egg and sperm nuclei that were already in the black mouse's egg so that their genetic information could not influence the resulting clone. Next they cultured the cell in a solution of nutrients until it divided and grew into an early embryo, which was then inserted into the womb of a third mouse, this one white. The white mouse gave birth to a gray mouse, genetically identical to the original embryo.

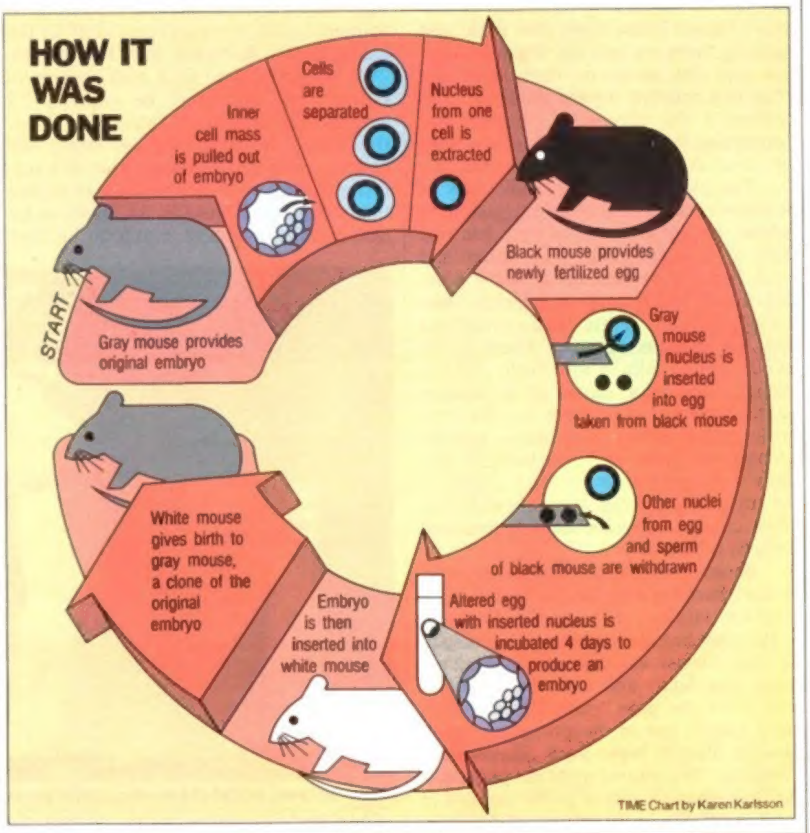
In 363 tries, Illmensee and Hoppe managed to produce three such mice. The high failure rate was due mainly to the delicacy and complexity of the micromanipulative technique involved. In subsequent experiments, however, Illmensee and Hoppe had better luck. They generated several mice from a single embryo, all genetically identical to each other and thus true clones.

Almost every cell in an organism contains all the genetic information needed for reproducing the entire organism. But getting that information to turn on or, as biologists put it, to "express" itself, is the main problem in animal cloning. It has been done now with immature cells. But as cells become differentiated, they seem to lose the ability to release genetic instructions for anything other than what they have become. A red blood cell can become only another red blood cell, for example. For that reason, Illmensee and Hoppe were only able to clone mice from embryonic cells that had not yet differentiated into cells for skin, bones, brains, eyes and other parts of the body. So far, there have been no undisputed reports of cloning from mature animal cells.

The successful subjects of the experiment

Nonetheless, the Illmensee-Hoppe mice, if they are produceable in large numbers, open many new avenues for research. The mice are, in fact, less important as clones than as vehicles for experiments in embryology, cell differentiation and immunology as well as in the study of birth defects and cancer. They enable medical researchers to introduce variables into otherwise genetically identical subjects, and then observe the results.

Some variation of the Illmensee-Hoppe technique may one day be used to clone prize bulls or even human beings. But other scientists question the ethics, as well as the scientific use, of trying to clone humans from undifferentiated cell masses. Whatever the original genetic imprint, the results would not be predictable, and mistakes would be stamped indelibly not on mice but on men. —*By John S. DeMott. Reported by Peter Stoler/New York*



Ronstadt pleading her case to Police Sergeant Azito; Kline and Parsons bringing a bewildered Smith back to the pirate fold

Show Business

Silly Songs and Smiling Faces

A new old musical, The Pirates of Penzance, *captures Broadway*

It is a most improbable hit: a dusty, century-old operetta that nearly everybody has seen—and yawned at—in high school. But there it is, packing them into Broadway's biggest house night after night and sending them out into the frigid January air with silly smiles on their faces. But then this updated version of Gilbert and Sullivan's *The Pirates of Penzance* has something few other musicals can boast of: absolute, unqualified, irresistible fun.

The plot is as lovably ridiculous as it always was. There is the priggish hero whose outlandish sense of duty has tied him to a pirate gang. (His father had sent him off to become a ship's pilot; his nurse, being hard of hearing, mistook "pilot" for "pirate" and apprenticed him to brigands instead.) There is the pretty girl he falls in love with, and her father, "the very model of a modern major general." And there are the cowardly police, led by Tony Azito, and the pirates, so inept and soft-hearted that they will spare anybody who claims to be an orphan. After a time every ship they capture is unaccountably manned only by orphans.

Beneath all that frippery, however, is a work bursting with life, the hearty, beef-and-ale vitality of Victorian England. "The play has always been done in such a rigid, lifeless way that people don't realize how funny and vigorous the material is on the page," says Director Wilford Leach, one of the prime movers of Joseph Papp's New York Shakespeare Festival. "We wanted to do the play rather than people's idea of it. We decided to scrape off the encrustations of tradition but remain faithful to the script."

The production was first put on at Papp's lovely outdoor theater in Central Park last July. To get the freshness he wanted, Leach hired two pop idols for the leads, Linda Ronstadt and Rex Smith. "We weren't out to do a rock version of Gilbert and Sullivan," he explains. "I wanted pop singers to make us re-hear the lines." In fact, that seemingly odd casting was a master stroke, and both performers may be duly anointed as perfect in their parts. Ronstadt, 34, looks as innocent as a fawn and is able to hit high notes that her rock fans probably never knew existed. Even she was surprised. "I discovered I had this other voice that I'd forgotten about," she says. "I hadn't used my upper range since I was a child."

Smith, 25, was perhaps more of a gamble. The whole production rests on the ability of the hero to combine two opposites, a sweet but dumb charm and an almost arrogant self-confidence. Smith showed both in audition. "He came in and sang one note—B-flat—over and over," recalls Leach, "and right off he informed us that he could pull it off. He even pulled Errol Flynn's picture out of his wallet. When I asked him why, he replied, 'Because I intend to swash until I buckle.' Now, anyone who can say something like that in all seriousness can play Frederic, I told Joe. 'But can he sing?' Joe retorted.

Rose, the very model of a modern major general, and his bevy of beautiful daughters

A beef-and-ale vitality and the illusion of magic that makes a memorable evening.

'Well,' I said, 'he can hit a B-flat.' We hired him on the spot." Adds Smith: "There's a lot of me in Frederic. I have been a dupe at times, trying to be an honorable guy."

In almost every production there is someone who is not quite right, off just enough to destroy the illusion of magic that makes an evening in the theater truly memorable for audiences. *The Pirates of Penzance* is an exception; it is as hard to imagine anyone else playing these parts as it is to imagine another lyricist imitating William Gilbert's jingling lines or another composer confecting Arthur Sullivan's gossamer melodies. Traditionally, for instance, *Penzance's* pirate kings have been round and middle-aged. Kevin Kline looks more like Smith's guardian angel, Errol Flynn. But his comic king is the kind of fellow who cuts himself every time he unsheathes his sword. Kline, 33, who comes to the role after two previous Broadway hits (*On the Twentieth Century* and *Loose Ends*), finds this part the most physically demanding of all.

The Americans in the cast still work hard to master G. & S.'s distinctive patter songs. "I have lazy lips," says Estelle Parsons, 53, who plays the nurse. "Rock is a whole different thing," adds Smith. "When the lights go out between songs, you take some Gatorade, blow your nose, clear your throat and go on again. Here the spit you start out with is the spit you end up with." Indeed, the only one who finds it all easy is the only Englishman on the stage, George Rose, 60, that model major general. As a student in London, he practiced diction for at least half an hour each day. "We'd have to repeat certain sentences with a bone propped between our teeth to keep our jaws apart."

The transition from Central Park to the cavernous Uris Theater may have been the greatest difficulty. The acoustics of the house are abominable; sounds that deafen in one spot go unheard in another. For a time the problems seemed insurmountable; but with the help of 72 microphones and 36 loudspeakers most of them have been overcome.

For the past five years, Papp has been using the profits from *A Chorus Line*, which now amount to about $5 million a year, to subsidize his productions of Shakespeare and the work of young playwrights. For most of those five years he has also been concerned about what will happen when the last chorus is sung. He may now have his answer; *The Pirates* brought in $318,000 in the preview week before its official opening. "If it takes off, it will take the pressure off the Public Theater for the next six or seven years," Papp exults. That is another way of saying that there is something in *The Pirates* for everybody. Says Ronstadt, "When I do rock concerts, I never look at the audience. In this I look out all the time. People seem to be delighted. They are smiling for the entire show." —*By Gerald Clarke. Reported by Elaine Dutka/New York*

Theater

Through a Glass in Pitch-Darkness

ALICE IN CONCERT *A musical by Elizabeth Swados*

This is a tale of two ladies. One of them (Meryl Streep) is very, very good, and the other (Elizabeth Swados) is very nearly horrid. Her work, that is. For a woman who has acquired an exaggerated reputation as a composer, Swados displays an anemic talent for making anything remotely resembling good music. For someone who is 29, she is strangely fixated on the '60s. Her songs, both for *Alice in Concert* and her previous show *Runaways*, a short-lived paean to urchin street vandals, sound, at their very best, like numbers that the composers of *Hair* threw in the wastebasket.

If a "truth in packaging" law applied in the theater, Lewis Carroll's name would have to be removed from the label. A footnote in the program asserts that the show is based on *Alice in Wonderland* and *Through the Looking Glass*. This is rather like claiming that a bag lady's remnants constitute *haute couture*.

Sometimes the reworking of a classic can produce ironic historic resonances, as in Jean Giraudoux's sophisticated reshaping of the Greek myths. At other times, sloppy, inane, incongruous desecration masquerades as creative reincarnation, and the people involved spout rubbish about "making the work speak to our own time." In the present instance, Joseph Papp, who took over as director from Andrei Serban and at whose off-Broadway Public Theater *Alice in Concert* is being presented, reveals no guiding wisdom or purpose.

Neither he nor Swados has the foggiest notion of Carroll's substance or sensibility. The Alice books are funny. This show is frowningly earnest. Wit requires a surrounding quiet in order to be heard. This show is noisy, bustling, full of motion but lacking in any discernible destination. Carroll was a master of wordplay. In this "adaptation," whatever words survive from the original are drowned in the nondescript tunes. Above all, Carroll saw the adult world through a child's eyes, that is, as a theater of the absurd. The logic of that world is seen as illogic by a child, and its arbitrary punishments are edged with psychological menace. This production contains no hint of these elements (they were rewardingly incorporated in André Gregory's brilliantly intuitive off-Broadway re-creation of ten years ago).

Even Streep, whose lustrous presence and finely pitched acting skills provide the only reasons for purchasing a ticket, is not cast with total precision. Carroll had a predilection for small girls. Streep is so far from being petite that she might have intimidated that slight figure of a man. However, the radiant rightness of her features, her gestures, her bearing and her voice leads us into the vernal garden of childhood and the willing suspension of disbelief. She turns two scenes into acting marvels. In one she mimics Humpty Dumpty about to fall off the wall but retaining full possession of a frog-horned comic baritone voice, and in the other she conducts the dialogue between Alice and the White Queen, taking both parts in a way that would have enchanted Oscar Wilde. Why isn't she performing Wilde, or Congreve or Shakespeare or Shaw, instead of gracing this cacophonous chicken coop of a musical? —*By T.E. Kalem*

MARTHA SWOPE

Alice (Meryl Streep) and pixieish animal friends enjoy themselves at a marvelous tea party

In a child's eyes, the incongrous logic of adults is a menacing theater of the absurd.

His: pinstripe brown business suit; cowboy garb. Hers: Adolfo suit by day; for evening, the designer's gold-braided jacket over metallic skirt

Living

American Pie at Its Best

The Reagan look: assured, affluent and, yes, conservative

Clothes do not the man or woman make, but they can tell a great deal about both. This is particularly true of a U.S. President and his First Lady, whose every costume change is remorselessly recorded by the color camera. In this respect, Ronald and Nancy Reagan seem all but certain to win approbation and exert considerable influence on American style. The Reagans dress in quiet, expensive—and yes, conservative—good taste. In the eyes of fashion followers they will be the most interestingly turned out White House couple since the Kennedys.

Though neither of the Reagans is a fashion plate, both dress with assurance and a keen sense of what is appropriate for almost every occasion, be it a barbecue on their California ranch (top-of-the-line cowboy garb), a press conference (Ron may be in plaid jacket and slacks, Nancy in a preppie blazer and skirt) or a fund-raising banquet (business suit for him, cocktail dress for her).

At his Inauguration, Reagan will be the first President since J.F.K. to wear formal morning attire. The selection, made by Reagan himself: an Italian-style black jacket of barathea cloth and striped gray woolen trousers with a three-button dove-gray vest, an outfit for which Reagan's Beverly Hills tailor, Frank Mariani, will charge him $1,250. Average rental price of a similar suit for Washington dignitaries: $42. The new President has no head for toppers. Nancy has a new mink in the closet, but may forgo it in favor of a Republican cloth coat. The Reagans' attire will be a considerable departure from the populist style of the Carters. For his Inauguration, Jimmy Carter wore a $175 suit he had bought off the rack a week before, which was consistent with his announced desire to de-emphasize the pomp of the White House.

HALSTEAD—GAMMA/LIAISON

Sports-coated and sweatered on the ranch

Sartorial boost from bods and boodle.

For the nine Inaugural balls on Jan. 20—all of which he intends to drop in on, save a party for the young—the President will wear tails made for him a few years ago by Mariani. As soon as word leaked that they would be white tie, virtually every formal wear rental store in the capital was stripped of tails. In accordance with the Cinderella rule, which precludes a new First Lady from disclosing her gala getup, Nancy would not say what she will wear for the ball, though rumor has it that it will be a white gown by Galanos, one of her favorite designers (price for the ordinary buyer: up to $8,000). She will wear white shoes and carry a rhinestone-decked white handbag by Manhattan's Judith Lieber, who makes the priciest totes in America.

Nancy's favorite designers are Adolfo, Bill Blass and Galanos, whom she admires especially for what she calls their "simple, classical lines." She has a penchant for red, but almost all her clothes are colorful. In Adolfo's view, she projects "a chic, affluent way of looking, extremely sophisticated." Blass calls her style "crisp